Withdrawal/Redaction Sheet
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a. notes	handwritten re meeting attendee information (1 page)	nd	P6/b(6)
001b. memo	WAVES to Dorothy Karayannis re confirmation of 12/21/95 appt w Jeremy Ben-Ami (8 names) (2 pages)	12/19/1995	P6/b(6), b(7)(C)
001c. memo	WAVES to Dorothy Karayannis re confirmation of 12/21/95 appt w Jeremy Ben-Ami (2 names) (1 page)	12/19/1995	P6/b(6), b(7)(C)

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Molly Brostrom
OA/Box Number: 8400

FOLDER TITLE:

Vouchers Briefing

2012-0326-S
kc773

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

20-Dec-1995 09:46am

TO: (See Below)

FROM: Dorothy L. Karayannis
Domestic Policy Council

SUBJECT: HOUSING MEETING

MEMORANDUM FOR DISTRIBUTION LIST

FROM: Jeremy Ben-Ami, Molly Brostrom, [redacted]
Domestic Policy Council

SUBJECT: Housing Meeting, Thursday, December 21

We are writing to confirm that the housing meeting is scheduled for Thursday, December 21 at 4:00 p.m. in room 211 of the Old Executive Office Building.

At the meeting, we can discuss the merits and limits of vouchers and possible alternatives for the Adminstration's 97 Budget.

We look forward to seeing you then. Thank you.

Distribution:

TO: FAX (95472500,JERRY JONES)
TO: FAX (97035491656,LISA CARR)
TO: FAX (95413339,T. SHELLABARGER)
TO: FAX (96384664,NAN ROMAN)
TO: FAX (93931973,BOB ADAMS)
TO: FAX (93476765,NANCY BERNSTINE)
TO: FAX (93335462,DEEPAK BHARGAVA)
TO: FAX (96198000,MIKE STEGMAN)
TO: FAX (97082476,BRUCE KATZ)
TO: Robert E. Litan
TO: Francis S. Redburn
TO: Jeremy D. Benami
TO: Molly Brostrom

CC: Diane G. Limo

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Domestic Policy Council
Molly Brostrom
OA/Box Number: 8400

FOLDER TITLE:
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Thurs, Dec. 21, 4pm, OEOB 211

[0016]

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

19-Dec-1995 02:12pm

TO: Dorothy L. Karayannis

FROM: Mail Link Monitor
Office of Administration, IST

SUBJECT: CONFIRMATION: APPT. REQUEST FOR BEN AMI, JEREMY

FROM: WAVES OPERATIONS CENTER - ACO: P6/(b)(6), (b)(7)(c)
Date: 12-19-1995
Time: 14:07:42

This message serves as confirmation of an appointment for the visitors listed below.

Please note: Appointment confirmation for visitor names you requested and not listed below may be forthcomming.

Appointment With: BEN AMI, JEREMY
Appointment Date: 12/21/95
Appointment Time: 4:00:00 PM
Appointment Room: 218
Appointment Building: OEOB
Appointment Requested by: KARAYANNIS DOROTHY L.
Phone Number of Requestor: 65571
Comments:

WAVES APPOINTMENT NUMBER: U44756

If you have any questions regarding this appointment, please call the WAVES Center at 456-6742 and have the appointment number listed above available to the Access Control Officer answering your call.

****

TOTAL NUMBER OF NAMES SUBMITTED FOR ENTRY : 9
TOTAL NUMBER OF NAMES OF CLEARED FOR ENTRY: 8
****

ADAMS, BOB
BERNSTINE, NANCY
BHARGAVA, DEEPAK
CARR, LISA
KATZ, BRUCE
ROMAN, NAN
SHELLABARGER, THOMAS

P6/(b)(6)

[0016]

STEGMAN, MICHAEL

P6/(b)(6)

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001c. memo	WAVES to Dorothy Karayannis re confirmation of 12/21/95 appt w Jeremy Ben-Ami (2 names) (1 page)	12/19/1995	P6/b(6), b(7)(C)

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Molly Brostrom
OA/Box Number: 8400

FOLDER TITLE:

Vouchers Briefing

2012-0326-S
kc773

RESTRICTION CODES

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[001c]

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

19-Dec-1995 03:48pm

TO: Dorothy L. Karayannis

FROM: Mail Link Monitor
Office of Administration, IST

SUBJECT: CONFIRMATION: APPT. REQUEST FOR BROSTROM, MOLLY B

FROM: WAVES OPERATIONS CENTER - ACO: P6/(b)(6), (b)(7)(c)
Date: 12-19-1995
Time: 15:44:19

This message serves as confirmation of an appointment for the visitors listed below.

Appointment With: BROSTROM, MOLLY B
Appointment Date: 12/21/95
Appointment Time: 4:00:00 PM
Appointment Room: 211
Appointment Building: OEOB
Appointment Requested by: KARAYANNIS DOROTHY L.
Phone Number of Requestor: 65571
Comments: ADMIT XX W/O ESCORT P6/(b)(6), (b)(7)(c)

WAVES APPOINTMENT NUMBER: U44838

If you have any questions regarding this appointment, please call the WAVES Center at 456-6742 and have the appointment number listed above available to the Access Control Officer answering your call.

****

TOTAL NUMBER OF NAMES SUBMITTED FOR ENTRY : 2
TOTAL NUMBER OF NAMES OF CLEARED FOR ENTRY: 2

****

AUSTIN, DEBRA
JONES, GERALD P6/(b)(6)

12/12 Vouchers Bfg

stock

5 M people spend 50-70% of inc on hsg

> 80% who get cert can use
· not concentr pov → except for poor minorities
· not in central cities,

↑ $ for search ass, and outreach/counseling
pha's get fixed admin fee

cost

° 1/4 of eligible ~~can~~ only can recive certif

Deepak
NLIHC
ACORN
Nan Roman
Nancy Bernstine?

Issue Brief

HUD Reinvention: *From Blueprint to Action*

March 1995

TENANT-BASED HOUSING ASSISTANCE WORKS

HUD's blueprint for reinventing Federal housing programs relies heavily upon tenant-based assistance (modeled on Section 8 certificates and vouchers) as the primary vehicle for addressing the housing needs of low-income renters. Tenant-based assistance supplements the amount that very low-income families and individuals can afford to pay for housing in the private market, empowering them to choose moderately priced housing of the type and location that best meets their needs.

Opponents have claimed that tenant-based assistance does not work—that rental housing is in short supply and that needy people cannot find units in which they can qualify to receive assistance. The facts do not support these claims. Two decades of experience with the Section 8 certificate and voucher programs have proven that tenant-based assistance is an extremely effective mechanism for addressing the urgent housing needs of most low-income Americans. Where shortages exist—either in particular locations or for particular types of housing—they can best be addressed through local strategies supported by the new Affordable Housing Fund.

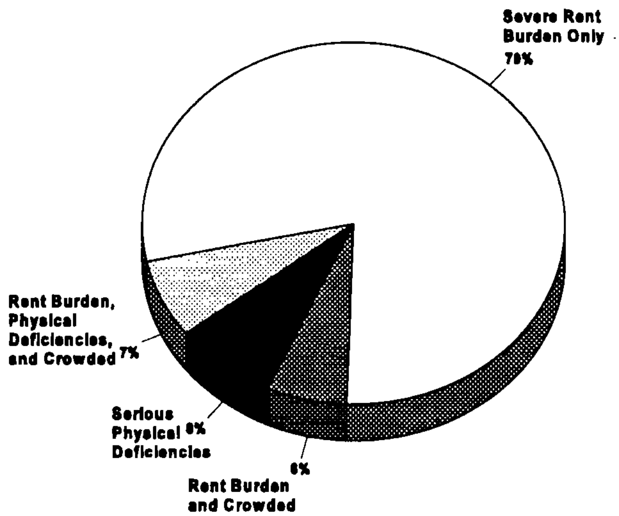
Certificates Directly Attack the Core Housing Problem Facing Low-Income Americans: Affordability

The primary causes of severe housing problems in the U.S. today are lagging incomes and high housing costs, not broad-based housing shortages. Decent quality rental housing is widely available; some simply cannot afford it. In fact, the vast majority of people with acute housing needs live in adequate, uncrowded housing but pay too large a portion of their income for rent. Certificates give low-income families and individuals the purchasing power they need to obtain the housing that is available in the private market.

In 1993, 5.6 million households had "worst-case" needs, which Congress defines as paying more than 50 percent of income for rent or living in substandard housing. Four out of five of these households lived in homes or apartments that were both adequate and uncrowded; affordability was their only housing problem.

Housing Affordability Is the Biggest Problem for Very Low-Income Renters With Acute Housing Needs

Total 5.6 Million Households (1993)



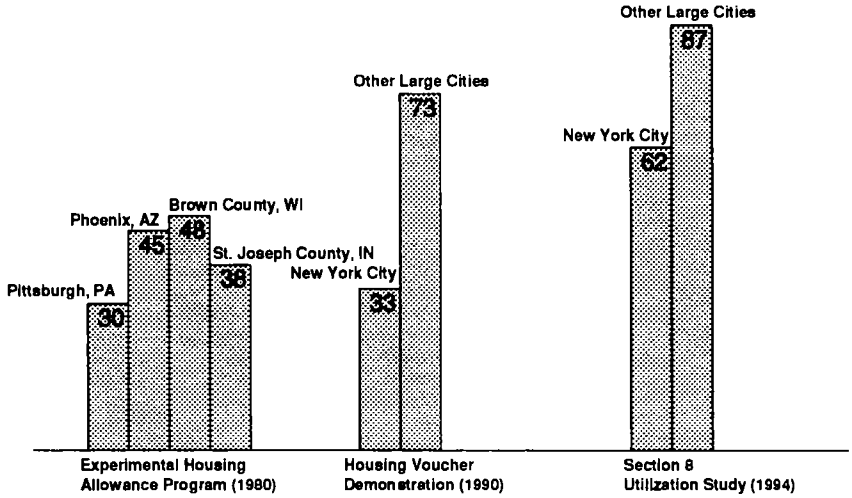
Most Households That Receive Certificates and Vouchers Are Successful in Finding Units

A nationwide study of Section 8 certificate and voucher utilization, completed in 1994, found that 80 percent of recipients in large cities were able to use them successfully. Among cities other than New York, success rates were even higher, averaging 87 percent. Fewer than one-third (31 percent) of all recipients qualified for assistance by remaining in their original house or apartment. Of those who did not remain, three-quarters were successful in finding another house or apartment in which they could receive assistance.

Success rates in the certificate and voucher programs have been increasing steadily over time, indicating that the program is becoming easier to use as housing authorities, landlords, and families become more familiar with it.

Certificates work well for the people who need help most. More than two-thirds (69 percent) of successful recipients had unaffordable rent burdens prior to joining the program; more than half (54 percent) were overcrowded and almost half (47 percent) lived in physically deficient housing. Minorities, families with children, disabled people, and the homeless all have the same high rates of success using Section 8 certificates and vouchers.

Success Rates for Tenant-Based Assistance Have Been Rising



Percent of Recipients Who Are Successful In Finding Housing

In Most Housing Markets, There Is a Substantial Supply of Housing at Rents Below the Fair Market Rent

There are, indeed, shortages of very low-cost housing in most urban housing markets, but these shortages generally occur at rents substantially below the Fair Market Rents (FMRs). FMRs determine the rents participants can afford to pay under the Section 8 program, and HUD adjusts them annually to correspond to the 40th percentile of rents for standard-quality, unsubsidized units that have been recently occupied. Because of these adjustments, more than 40 percent of a housing market's rental stock typically falls below this level.

Analysis of census data for 10 selected metropolitan areas shows that at least 40 percent of all two-bedroom units had rents at or below the FMR. In four of these metro areas, more than half of all two-bedroom units rent at or below the FMR. These data also show that units renting for less than the FMR are widely disbursed geographically, accounting for at least 30 percent of the rental stock in over two-thirds of all residential census tracts. In other words, certificate recipients have access to a significant portion of the rental housing stock in the majority of residential neighborhoods.

Certificate Recipients Enjoy Much Greater Choice About Where to Live Than Residents of Public Housing and Are Less Likely to be Concentrated in Distressed Neighborhoods

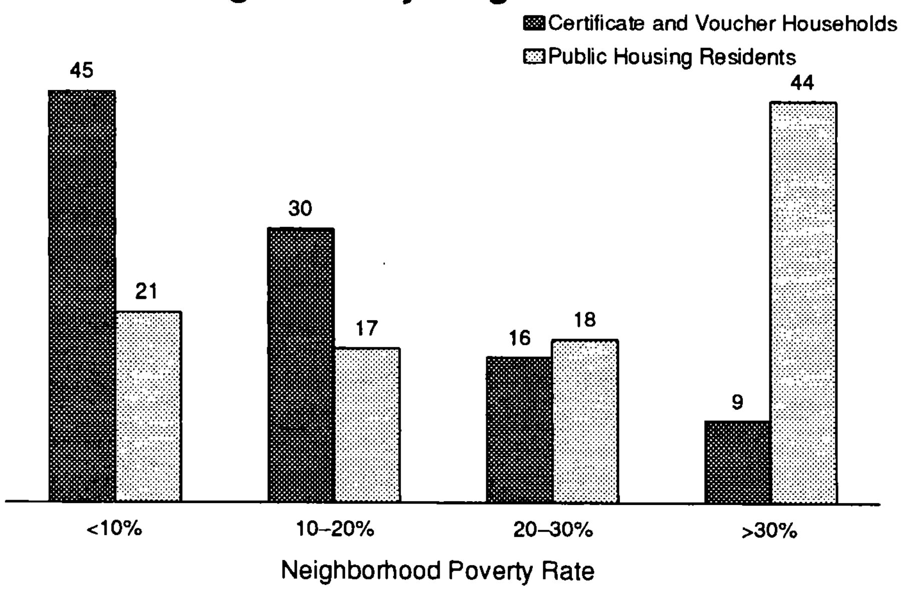
Tenant-based assistance is less likely than project-based programs to concentrate needy households in high-poverty neighborhoods. Data collected by the General Accounting Office (GAO) for four metropolitan areas indicate that fewer than 10 percent of Section 8 recipients live in high-poverty neighborhoods (more than 30 percent poor). In contrast, 44 percent of public housing residents in the same four metropolitan areas live in high-poverty neighborhoods.

Housing That Rents for Less Than the FMR Is Widely Available

Metropolitan Area	Percent of 2-Bedroom Rental Units Below FMR	% of Residential Tracts With at Least 30% of Rental Units Below FMR
Atlanta, GA	45	71
Davenport-Moline, Rock Island, IA-IL	41	75
St. Louis, MO-IL	51	84
Buffalo-Niagara Falls, NY	52	90
Detroit, MI	52	71
Houston, TX	47	82
Seattle, WA	47	84
Nassau-Suffolk, NY	51	84
Cedar Rapids, IA	46	93
Columbus, OH	50	85
Kansas City, KS-MO	48	82
New York, NY	71	91

Whites are much more successful than blacks in using their Section 8 certificates outside poor and minority neighborhoods. For example, the GAO data show that 55 percent of white recipients, but only 36 percent of black recipients, live in neighborhoods that are less than 10 percent poor. Nevertheless, blacks who receive tenant-based assistance are far less concentrated in high-poverty, high-minority neighborhoods than those who live in public housing.

Tenant-Based Assistance Recipients Are Less Likely To Live In High-Poverty Neighborhoods



Note: Data are for four metropolitan areas—Washington, DC; New Castle County, DE; King County, WA; and Oklahoma County, OK

Participation Rates Can Be Increased and Location Choices Expanded Through Reforms to the Existing Program

Recent experience indicates that tenant-based housing assistance can be effectively supplemented by landlord outreach and housing search assistance that expands opportunities for choice and mobility, particularly for minority recipients. Over the last two decades, special mobility programs for Section 8 recipients have been implemented in at least eight metropolitan areas. These programs have helped roughly 11,000 families (about half in Chicago) move to low-poverty, low-minority neighborhoods, demonstrating that it is possible to help families take full advantage of housing opportunities available in the private market.

Experience in Los Angeles following the Northridge Earthquake further confirms that effective landlord outreach and mobility counseling, as well as elimination of burdensome regulations such as the "take one-take all" requirement and the "endless lease" provision, can open up a wide range of housing opportunities to assistance recipients. A survey of people who received emergency Section 8 certificates as a result of the Northridge Earthquake indicates that finding a unit was not easy. About half (53 percent) reported some difficulty in finding a house or apartment they could afford. Nevertheless, the overwhelming majority of respondents (97 percent) were ultimately successful.

Issue Brief
HUD Reinvention: *From Blueprint to Action*

May 1995

TENANT-BASED HOUSING ASSISTANCE WORKS FOR THE ELDERLY AND FOR LARGE FAMILIES

HUD's Blueprint for reinventing Federal housing programs proposes to provide tenant-based assistance through the Housing Certificate Fund as the primary vehicle for meeting the housing needs of *all types* of very low-income families and individuals. Some have suggested that the elderly and large families will not be well served by reliance on tenant-based assistance. Specifically, critics claim that elderly people have difficulty searching for housing in the private market and that the supply of rental housing with three or more bedrooms is not sufficient to meet the needs of large families.

In fact, twenty years of experience and analysis have demonstrated that both the elderly and large families have high rates of success with tenant-based assistance. Furthermore, in the limited circumstances where particular types of housing may be in short supply—either because of tight housing markets or because people need special services along with housing—communities can use the Affordable Housing Fund (AHF) to fill the gap.

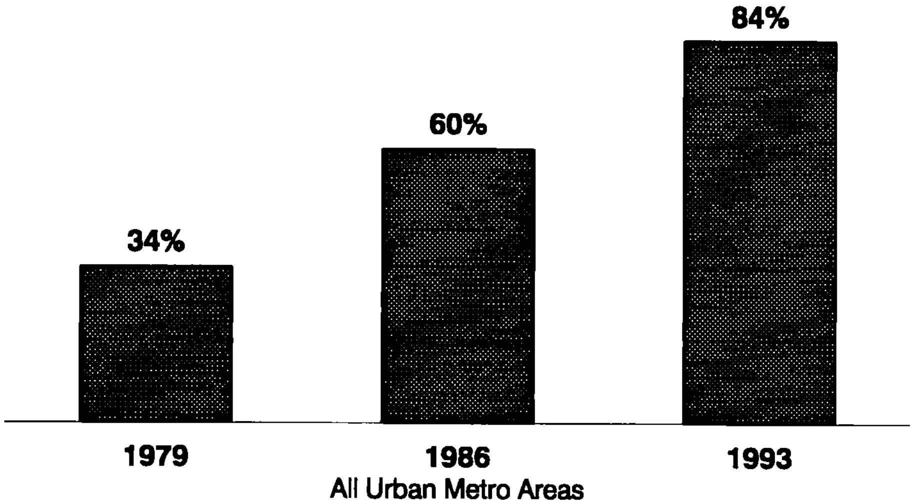
The Elderly Have Always Been Very Successful in Using Housing Certificates

Tenant-based assistance is particularly well-suited to the housing needs of the low-income elderly, most of whom live in good quality housing but pay high proportions of their income for rent. Typically, elderly people can use tenant-based assistance to remain in their current house or apartment, and their landlords readily agree to participate in the program. Thus, tenant-based assistance protects low-income elderly people who are having difficulty paying their rent from the hardship of moving away from a familiar home. As of 1993, 86 percent of elderly recipients were successful in using their certificates; 62 percent used them to remain in-place and 26 percent used them by moving.[1]

HUD Has Made Adjustments to Its Tenant-Based Assistance Programs to Address the Needs of Large Families

Unlike the elderly, most large families who are successful in using tenant-based assistance succeed by moving. Large families are more likely to live in overcrowded or physically deficient

Success Rates for Families Needing Three or More Bedrooms



Sources: Stephen D. Kennedy and James E. Wallace, *An Evaluation of Success Rates in Housing Assistance Programs Using the Existing Housing Stock*, Cambridge MA: Abt Associates, March 1983, p.A–30; *Final Comprehensive Report of Freestanding Housing Voucher Demonstration: Volume I*, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 1990, p. 184; *Section 8 Rental Voucher and Rental Certificate Utilization Study*, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 1994, p.28

housing than other types of low-income households. Thus, two-thirds of large families move in order to use their certificates.[2] When certificates were first introduced, large families did indeed have difficulty taking advantage of them. However, success rates among large families have grown steadily, so that by 1993, 84 percent of families who needed three or more bedrooms were successful in using their certificates.

These rising success rates resulted in part from deliberate HUD policies to make tenant-based assistance easier for large families to use. In the early 1980's, HUD began to make larger adjustments to three and four bedroom Fair Market Rent (FMR) levels so that a greater number of such units would be accessible for large families.[3] Also, the Department instituted a "hard-to-house" fee. PHAs now earn a fee of $45 each time a family with three or more minors successfully moves and begins to receive assistance.

Today, over 450,000 families use tenant-based assistance to rent houses and apartments with three or more bedrooms. Large families account for 31 percent of all tenant-based assistance,[4] compared to only 15 percent of all households with acute needs for housing assistance. Even in tight housing markets, tenant-based assistance is successfully used by significant numbers of large families.[5]

Large Families Account for a Substantial Share of Tenant-Based Assistance Recipients

Housing Authority	Percent of Recipients in Units with 3 or More Bedrooms
Boston	53
Los Angeles	19
Oakland	32
Portland	25
San Francisco	31
San Jose	53
Seattle	29

The Reinvented Housing Certificate Fund Will Make Tenant-Based Assistance Work Even Better for the Elderly and Large Families

The Housing Certificate Fund proposes changes from the current Section 8 certificate and voucher programs that are expected to broaden landlord participation and make a wider variety of houses and apartments available to assistance recipients. Specifically, landlords will no longer be required to accept *all* qualified Section 8 applicants simply because they have accepted one. In addition, the prohibition against lease termination for other than good cause reasons will be eliminated, and families evicted for serious lease violations will lose their certificates altogether. These reforms should be particularly helpful to families with children, by opening up housing opportunities such as scattered rentals in single-family neighborhoods, where landlords may have been reluctant to accept certificate-holders in the past.

Public and Assisted Housing Projects Will Remain an Important Housing Resource for the Elderly and Large Families

When project-based subsidies are replaced with tenant-based assistance, many families and elderly people will choose to remain in their existing housing. Most public and assisted housing projects will remain as an important part of the affordable housing stock, available both for certificate recipients and for unassisted families and individuals with low or moderate incomes.

The vast majority of the public and assisted housing projects that were designed and built to serve elderly people are attractive, well-maintained, and rich with services. Therefore, most elderly residents are expected to remain in their current homes, using their certificates to pay the rent. Turnover will occur slowly, but as units become vacant they will be available to other certificate-holders or to elderly people seeking affordable housing. Usually, the market-based rents for these projects will be affordable for people who have modest—but not necessarily very low—incomes.[6] Therefore, as some elderly people use their certificates to move and others move in without assistance, the total resources available to meet the housing needs of low and moderate income elderly people will grow.

HUD's plans for the transformation of public and assisted housing include special provisions to avoid rapid turnover in housing for the elderly if a large proportion of residents want to move. Moreover, in the relatively rare cases when the market-based rent of public or assisted housing for the elderly turns out to be greater than the Fair Market Rents used in the Housing Certificate Program, "exception rents" can be made available for particularly high-rent neighborhoods.

Many families who currently live in public and assisted housing projects are also expected to stay in their current housing after project-based subsidies are replaced with certificates. Some, however, will take advantage of the flexibility of tenant-based assistance to choose modestly priced housing elsewhere in the community that better meets their needs.

In some cases, family housing projects are so poorly located and in such bad condition that they will not be able to attract other certificate holders or unsubsidized families, at rents high enough to cover costs. These projects do not provide decent housing or a suitable environment for children to grow up, and they should be closed. HUD is already moving aggressively to retire these projects from the housing stock, so that families who receive assistance from the Federal government can live in decent, safe and sanitary housing.

Endnotes

[1] *Section 8 Rental Voucher and Rental Certificate Utilization Study: Final Report.* U.S. Department of Housing and Urban Development, October 1994, p.28.

[2] *Section 8 Rental Voucher and Certificate Utilization Study*, pp.20–22.

[3] HUD sets Fair Market Rents (FMR) for larger units as a fixed percentage of the fair market rent for two-bedroom units. Before 1981, the large unit adjustment was 25 percent for three-bedroom units and 40 percent for four-bedroom units. Now, these FMR adjustments are up to 39 percent for three-bedroom units and up to 64 percent four-bedroom units.

[4] Data from HUD Multifamily Tenant Characteristics System.

[5] HUD Analysis of 1991 American Housing Survey data.

[6] Very-low incomes are defined as less than 50 percent of area median income. This is the basic eligibility standard for housing certificates. Families and individuals above this cut-off who currently live in public or assisted housing will receive certificates if the market-based rent in their housing would be above 30 percent of their income.

Issue Brief

HUD Reinvention: *From Blueprint to Action*

May 1995

FEDERAL RENTAL ASSISTANCE SHOULD PROMOTE MOBILITY AND CHOICE

The single most pressing problem facing America's cities today is the concentration of poor people, particularly poor minorities, in severely distressed neighborhoods. Between 1970 and 1990, the number of people living in concentrated poverty areas (neighborhoods in which over 40 percent of the residents are poor) grew from 3.8 million to 10.4 million. In these neighborhoods:

- More than 60 percent of families with children are headed by single women.
- More than half of all adults have less than a high school education.
- More than 40 percent of working age men are unemployed.
- Almost one in five youths (aged 16 to 19) are high school dropouts.
- One in three families receives welfare benefits.

Concentrated poverty causes all these problems to reinforce one another, perpetuating a vicious cycle of poverty, inequality, and despair.

One of the fundamental principles of HUD's reinvention is that Federal housing and community development resources should be used to end the physical and social isolation of low-income communities. Conditions in the poorest neighborhoods at the heart of our cities are undermining the Nation's social and economic well-being. Unless public policies intervene to reverse the concentration of poverty in America's central cities, efforts to revitalize our communities and expand economic opportunities cannot succeed.

As one component of a multifaceted attack on concentrated poverty, HUD is promoting mobility and choice in its tenant-based assistance programs. The proposed new Housing Certificate Fund (HCF), which builds upon the existing Section 8 Certificate and Voucher programs, will empower assisted families to choose moderately priced housing in the locations that offer opportunities for upward social and economic mobility.

Concentration of Poverty

Although neighborhoods in America are roughly stratified on the basis of income and wealth, most poor white people live in non-poor neighborhoods. Among the metropolitan population, three-quarters of poor whites live in middle-class, mostly suburban neighborhoods, whereas three of four poor African Americans and two of three poor Hispanics live in poor, inner-city neighborhoods.

The concentration of poverty in U.S. cities today is a direct consequence of decades of racial segregation. Because of the stubborn persistence of discrimination in housing, American communities remain profoundly divided on the basis of race and ethnicity. Because minorities experience higher poverty rates than whites, racial segregation concentrates poverty and compounds its social costs.

Moreover, today's high levels of segregation were shaped by public policies. At their inception, Federal housing programs incorporated many of the prevailing practices of the private housing market and often exacerbated racial separation as a result. For example, public housing regulations originally encouraged the assignment of households to projects on the basis of their race. The earliest FHA programs enabled and encouraged middle-class white families to buy new housing in the burgeoning suburbs, whereas lenders denied financing to older, inner-city neighborhoods, and appraisal practices discouraged racial mixing.

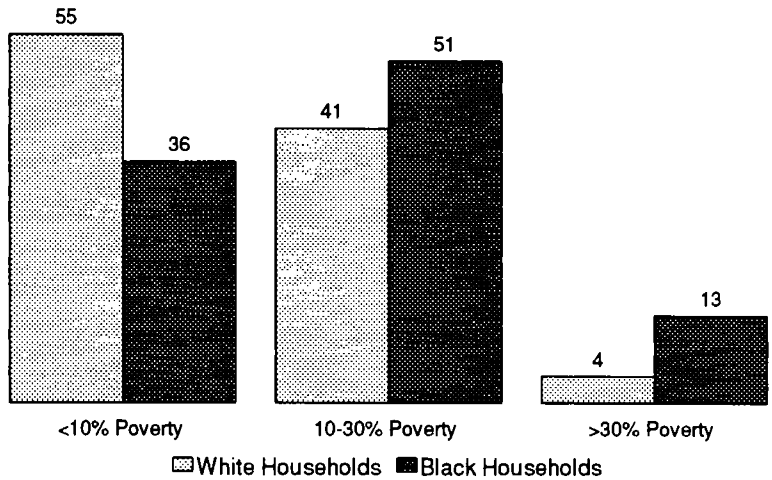
Expanding Housing Mobility and Choice

Historically, Federal programs that have produced subsidized housing expressly for low-income renters have had the effect of concentrating poor households (especially minorities) in poor neighborhoods, limiting their housing choices and exacerbating segregation. Today, more than half of all public housing residents (59 percent)—and two-thirds of African-American residents (69 percent)—live in high-poverty neighborhoods. Most recipients of tenant-based assistance, on the other hand, find private rental housing in less distressed neighborhoods.

Tenant-based assistance is less likely than project-based programs to concentrate needy households in high-poverty neighborhoods. Data collected by the General Accounting Office (GAO) for four metropolitan areas indicate that fewer than 10 percent of Section 8 recipients live in high-poverty neighborhoods (neighborhoods that are more than 30 percent poor).

Whites Are More Likely Than Blacks to Use Tenant-Based Assistance in Low-Poverty Areas

(Percent of Households)



Note: Data are for four metropolitan areas—Washington, DC; New Castle County, DE; King County, WA; and Oklahoma County, OK

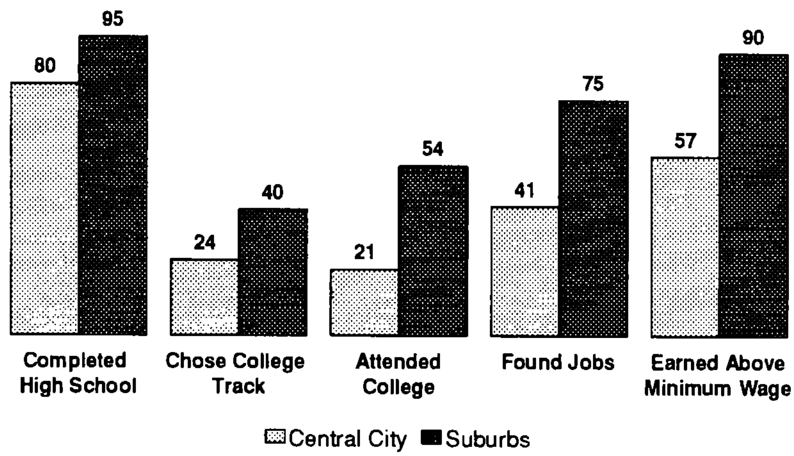
Whites are much more successful than blacks in using their Section 8 certificates outside poor and minority neighborhoods. For example, the GAO data show that 55 percent of white recipients but only 36 percent of black recipients live in neighborhoods that are less than 10 percent poor. Nevertheless, blacks who receive tenant-based assistance are far less concentrated in high-poverty, high-minority neighborhoods than those who live in public housing.

HUD's commitment to mobility and choice for tenant-based assistance recipients builds upon the success of the Gautreaux Program in Chicago, which has shown that the opportunity to move away from a distressed, high-poverty neighborhood can provide a route to economic independence for poor families. The Gautreaux Program began in the late 1970s as part of a court-imposed desegregation remedy.

Research by James Rosenbaum and others at Northwestern University has shown that the move out of the central city can have dramatic employment, earnings, and education effects. For example, young people whose families moved to the suburbs were more likely than their central-city counterparts to stay in high school, choose college track courses, attend college, find jobs, and earn more than the minimum wage.

Children of Gautreaux Families Are More Successful Than Comparable Inner-City Youth

(Percent of Children)



Moreover, after operating for almost two decades and serving over 5,000 families, there is no evidence of negative consequences for the neighborhoods to which participating families have moved, and the Gautreaux Program has generated virtually no opposition from these neighborhoods.

The Housing Certificate Fund

HUD's proposed new Housing Certificate Fund will empower assisted families to choose moderately priced housing in the location that best meets their needs. No families will be required to move, and no neighborhoods will be off-limits for assistance recipients. However, public housing agencies (PHAs) will have an obligation to reach out to property owners and to assist families in searching for rental housing throughout their market area. HCF will create strong incentives for PHAs throughout a metropolitan housing market to collaborate in making the widest possible range of opportunities available to certificate holders.

In addition, HCF will eliminate burdensome requirements that have discouraged some landlords from participating in the existing Section 8 program. Specifically, HCF does away with the "take one take all" rule and the prohibition against lease terminations for other than good cause. Moreover, HCF families who are evicted for serious lease violations will lose their eligibility for assistance, creating a strong incentive for responsible behavior by program beneficiaries.

Conclusion

There is no single, one-dimensional remedy to the problem of concentrated poverty. Instead, long-term solutions will require a combination of initiatives that simultaneously revitalize distressed neighborhoods, promote job growth in the central city, link job-seekers to suburban employment opportunities, and open up affordable housing opportunities in low-poverty areas.

Moving to a low-poverty neighborhood is certainly not the right answer for all poor families, and helping families move is not the whole solution to the problems of segregation and concentrated poverty. But until all neighborhoods, regardless of income level, can provide their residents with real opportunities to live in safety, to attend decent schools, and to find employment, poor families should not be held hostage in our Nation's most distressed and isolated neighborhoods by their need for housing assistance.

Issue Brief
HUD Reinvention: From Blueprint to Action

March 1995

WILL IT COST MORE TO REPLACE PUBLIC HOUSING WITH CERTIFICATES?

Providing tenant-based assistance to public housing tenants as the basic means of supporting the housing they live in has long been of interest because of the advantages of choice for tenants and market discipline for housing authorities. Until recently, the costs of assisting a family in public housing have been lower than comparable costs with a certificate or a voucher. The rising costs of modernizing the public housing stock (which has deferred much-needed maintenance), addressing the social needs of the poor residents, and combatting crime and drug activity in and around densely concentrated developments have driven up the costs of public housing.

Based on FY 1995 appropriations, the Federal subsidies for public housing are now higher than providing the same families with certificates. Thus, it is now more expensive to continue to operate the current public housing program than to provide housing certificate assistance to its tenants.

- Based on FY 1995 appropriations, the monthly public housing subsidy per occupied unit is $481 per month.[1]

- The monthly cost of serving the same families in the same locations with certificates would be $440 per month.

This is a conservatively low estimate of the cost of public housing, because it does not take into account the capital costs for building public housing or, in the past, for modernizing it. These costs were considered sunk costs.

Individual Public Housing Agencies

The above costs are national averages and do not apply to incomes or costs for any individual housing authority.

A comparison of the cost of a certificate with the cost of public housing at an individual PHA is not relevant to the budgetary feasibility of the proposal for issuing certificates to public housing families. The subsidy now alloted to a particular PHA would not be converted directly into certificates. Rather, the certificate subsidy will be allocated from a national appropriation and will be determined by the cost of certificates in that community based on Fair Market Rents, or FMRs) and the number and size of eligible households in the PHA. Direct public housing subsidies would be eliminated.

In addition, the certificate that subsidy families would receive at a particular PHA would not determine the resources available to the PHA for operating public housing. For any individual PHA, the potential outcome could be a higher or lower total income than that received under the current system, depending on the market value of its units. Under the reinvention proposal, PHAs would charge market rents—both to families with certificates and to unsubsized families.

Methodology

Certificate program costs were estimated using Fair Market Rents for the metro areas in which public housing units are located and using the household sizes of the current public housing tenants. These costs equal the certificate payment standard (the FMR) minus the tenant share of the rent (based on identical rules for the two programs), plus an administrative fee. The FMRs used are those that will be used in the certificate program starting in FY 1995: the 40th percentile of rents of private market units recently occupied by new residents.

The certificate cost was compared with the sum of public housing operating subsidies, modernization costs and drug elimination grants. Past capital costs were considered sunk costs, and no effort was made to add an imputed debt service to the cost of public housing. The attached table summarizes the result of this analysis.

ACORN, CLPHA, and NAHRO Analyses Are Flawed

Several recent analyses have suggested that certificates are more expensive than public housing subsidies. Each of these analyses has significant methodological flaws that lead to faulty conclusions.

The ACORN cost estimates[2] overstate the cost of serving public housing residents with certificates because: 1) tenant rent charges are deducted from public housing costs, but not from the Fair Market Rents used as the cost basis for certificates; and 2) a 45th percentile FMR standard is used, rather than the proposed 40th percentile standard.

The CLPHA cost estimates[3] also overstate certificate costs, because an estimate of the value of the tax deductionfor the unit taken by the owner is included in the cost of the certificate subsidy. This "cost" would be incurred by the Federal Government anyway, as long as the unit was rental housing.

The NAHRO cost estimates[4] overstate certificate costs by: 1) using the 45th percentile FMR instead of the 40th percentile; and 2) failing to include tenant paid utilities in tenant contributions.

Attachment

Endnotes

[1] The average monthly subsidy for all public housing units, whether occupied or vacant, is $443. Housing certificates would be provided only to families currently living in public housing, not to all units.

[2] Association of Community Organizations for Reform Now (ACORN) public housing and Fair Market Rent cost comparisons presented in Jerry Jones' memorandum of February 13, 1995.

[3] Council of Large Public Housing Authorities (CLPHA), January 20, 1995, presented as Appendix B of CLPHA's February 2, 1995 Senate Appropriations Committee testimony.

[4] National Association of Housing and Redevelopment Officials (NAHRO), Housing Policy Paper, Comparing Public Housing and Section 8 Costs, no date.

COMPARISON OF PUBLIC HOUSING SUBSIDIES WITH CERTIFICATE SUBSIDIES

(FY 1995 Appropriations and 40th Percentile FMRs)

FY 1995 Appropriations for PFS[1] PHAs

	TOTAL APPROPRIATIONS ($ in millions)	TOTAL MONTHLY APPROP PER UNIT	MONTHLY APPROP PER *OCCUPIED* UNIT
Operating Subsidies[2]	$2,618	$176	$191
Drug Elimination Grants	$267	$18	$20
All Modernization[3]	$3,703	$249	$270
SUBSIDY FOR PUBLIC HOUSING	$6,588	**$443**	**$481**

Certificates for All PFS Public Housing Units

	MONTHLY COST PER UNIT
FMR, Based on Location and Bedroom Needs of Current Public Housing Tenants[4]	$571
Administrative Fee at 8 Percent of FMR	$46
Total Paid Per Certificate (including tenant rent)	$617
Tenant Payment[5]	-$177
MAXIMUM CERTIFICATE SUBSIDY	**$440**

1. These are not the total appropriations for the entire public housing program, because these estimates were based on the data set used to estimate funding needs for the Performance Funding System (PFS), which do not include all 1.4 million public housing units. They have been pro-rated to cover the 1.241 million units covered by the PFS. Not included are Puerto Rico, Guam, Virgin Islands, Alaska, homeownership program units, and units that do not receive an operating subsidy.

2. Based on actual appropriations, which were 96 percent of PFS need.

3. Includes the Comprehensive Grant, Comprehensive Improvement Assistance Program, HOPE VI, and Vacancy Reduction programs.

4. Some public housing units are overcrowded, while others are under-occupied. The average cost of certificates based on actual bedroom distributions of current public housing units is $555; by coincidence, this is the same amount as the average two-bedroom FMR, weighted by the U.S. population.

5. Based on the rental income reported by PHAs, plus an adjustment for utility allowances paid to tenants, which are not otherwise included.

Reforming Section 8 Project-Based Assistance
The Administration's Mark-to-Market Initiative

On May 26, the Department of Housing and Urban Development (HUD) put forward an historic initiative to reform Section 8 project-based assistance -- reform made necessary by the growing cost of renewals over the next several years.

The initiative -- known as "Mark-to-Market" -- would directly affect 8,000-9,000 properties. These properties both receive Section 8 project-based assistance and have mortgages insured by the Federal Housing Administration (FHA).

The vast majority of the residents of these properties are low income, and a substantial percentage are elderly. How we manage the transition of this portfolio going forward has critical longterm implications for the federal government -- and for millions of residents in hundreds of communities. That is why the Department proposes action now -- but recognizes that a one-year transition period may be appropriate before full implementation.

Under the Mark-to-Market initiative:

- Section 8 assistance contracts between HUD and the project owner will not be renewed as they expire.

- Owners will be free to rent their units for whatever the marketplace will bear. In the case of newer Section 8 projects, this would generally mean a reduction in the rents. For older projects, this would generally mean the same rents or an increase up to market levels.

- Residents will receive housing certificates which they can use to rent housing of their choice. They could use the certificates to pay the rent in their current units or move to other housing. Special protections would ensure most elderly and disabled residents could remain in their present units.

- For properties that would not be financially viable without federal project-based subsidies, HUD will assist in writing down the property's debt to a level that can be supported by market rents. The presence of mortgage insurance on these properties provides HUD the vehicle to help in this restructuring.

- Ailing properties will undergo rehabilitation, where economically feasible.

- In some cases, it may be appropriate to sell or transfer the property to a non-profit or local government organization. These entities, with a stake in the community, may be able to use HOME or other funds for rehabilitation, as necessary.

- HUD's preferred approach is to restructure properties' financing and provide for rehabilitation *before* contracts expire and defaults occur. This would make it easier for good owners to remain in place and would protect against property disinvestment as the Section 8 program unwinds.

The Mark-to-Market initiative has been developed in response to two overriding realities:

Neither the Administration nor Congress can afford to continue funding for Section 8 project-based contracts at the current subsidy levels. A large wave of Section 8 contracts expires over the next five years, beginning with contracts on 130,000 units in FY 1996. The Department estimates that the cost just to renew the contracts expiring in FY 1996 would be about $2 billion, and the pricetag rises sharply to $8 billion through FY 1998. If we continue with the status quo, we will spend about $200 billion over the next 25 years on Section 8 renewals alone. Indeed, soon nobody will be talking about closing down HUD. Section 8 renewals will have swallowed the entire Department!

Longstanding operational and structural flaws in the Section 8 project based assistance program have reached critical proportions. Our analysis reveals that HUD is providing subsidies above market levels to as many as 3,000 Section 8 properties. Some apartments rent for twice as much as comparable non-subsidized units in the same neighborhood. This not only drains scarce federal housing resources, it also weakens public support for assisted housing programs across the board. But oversubsidization is not the only problem. Another large group of Section 8 properties is undersubsidized and in distressed condition. No matter how badly these buildings deteriorate, however, most tenants can't move because they would lose their rental assistance. Structurally, we have built an elaborate housing delivery system that is not sufficiently responsive to residents.

Options for Implementing Mark-to-Market

HUD is considering several options for ensuring a smooth transition to market for Section 8 properties. The preferred approach is to help properties transition to a market basis voluntarily *before* Section 8 contracts expire. HUD would do so by entering into public-private partnerships with entities that are experienced in restructuring real estate and also sensitive to public policy goals. They would operate under carefully established HUD guidelines and would help properties make the transition to market on a property-by-property basis. HUD currently lacks the capacity to respond to the needs of each property individually. The Department is seeking the authority to create pilots to demonstrate the advantages of proactive resolutions.

Myths And Realities about Mark-to-Market:

Myth: All project-based assistance would be terminated.
There is widespread belief that HUD would mandate an end to all project based assistance for Section 8 properties. This is not true. The initiative gives localities the option to use the housing certificate funds we provide -- as well as other funds they may have available -- to continue providing project-based assistance to Section 8 properties for however long they choose.

Myth: Thousands of elderly and disabled households will be disrupted.
Because of the specialized nature of their housing and circumstances, elderly residents and those with disabilities could have particular difficulty locating suitable alternatives if forced to move from their current apartments. This could become a problem if new market rents are higher than the levels that would normally be supported by housing certificates. Our proposal would protect these residents by ensuring that their certificates cover the new rent -- whatever its level -- so long as it passes a "rent reasonableness" test for comparable unassisted units in the area.

Myth: The transition to market of the Section 8 portfolio will lead to massive displacement.
Some groups are circulating figures purporting to show that more than 170,000 households will be displaced by Mark-to-Market. The Department has looked carefully at the potential for displacement -- and we have found that these claims are greatly exaggerated. They don't account for the extra support available to elderly and disabled households. They erroneously assume that any rent increase, even one dollar, above the Fair Market Rent will cause displacement.

HUD's analysis of the potential for displacement shows:

- The vast majority of housing that converts to a market basis under the Mark-to-Market initiative would remain part of the affordable housing stock and would continue to be available to residents currently residing in these same project-based units.

- Some housing will leave the stock because it is obsolete. However, residents of the housing will have the purchasing power, through tenant-based assistance, to choose other housing to suit their needs. We estimate that no more than 65,000 units will leave the stock -- and the majority of this attrition will occur with or without Mark-to-Market. In fact, this is happening now as the Department pursues aggressive enforcement against owners who are not meeting their contractual obligations.

- About 30,000 households could see rents in their properties rise above the levels supported by their tenant-based certificates and therefore move to another property that is affordable and supported by their certificates. In arriving at this estimate, we assume that tenants could absorb a rent burden of up to 40% of income, but that rent burdens greater than 40% may cause displacement.

Why Delay Is Not An Option

Because Mark-to-Market represents change, there is an understandable tendency to focus on its potential for disruption. But the initiative also offers significant benefits. For the first time residents will have the option of moving and taking their subsidy assistance with them. Residents will have opportunities to purchase their projects as cooperatives where feasible or to apply their new tenant-based housing certificates toward homeownership. Older properties in need of repair will finally be able to be upgraded. As the old housing system converts, we have a once-in-a-generation chance to equip these buildings with computer learning centers, job training and microenterprise centers, and other services that have been proven to work in helping low income residents make the transition to self-sufficiency.

Some are urging HUD to take even more time than the one-year transition to FY 1997 now being considered in order to sort out all the answers before transitioning this complex portfolio to a market-based system. Such advice may seem rational -- and even prudent. Unfortunately, in the real world, we do not have the luxury to delay extend the transition period further and delay implementing Mark-to-Market. The private markets have already begun to react as owners, investors and lenders realize that project based subsidies will not continue indefinitely. The risk of inaction is that owners will disinvest and that physical deterioration of older projects will accelerate. Against this backdrop, timely implementation of Mark-to-Market is essential.

12/21 HUD/OMB/Hsg Gps

Redburn — context/realities

Stegman — how to instill cost acctbility/discipline into operating subsidies?

Bob Adams
- vouchers for sev'ly distressed ⇒ concern ab't who makes dec's abt when done
H+S → mandatory triggers → include tenants

Bruce - but 1 tenant can hold up
Debra - give process/option that weighs hvd presu

John Powell

- choice → must be informed - counseling - not by PHAs

Agreement that vouchers a reasonable alternative to severely distressed ph
- concerns abt process → tenant involvement
→ informed choice

- MTM

newer vs older – above vs ~~older~~ below inlet

Varches bfg -

what assurances /evidence that stock of can-ine hsg will exist

NHC Washington Wire
The United Voice for Housing
A weekly bulletin on housing policy and legislation published exclusively for members of the National Housing Conference, 815 Fifteenth Street, N.W., Suite 711, Washington D.C. 20005. Phone: 202/393-5772; fax: 202/393-5656; e-mail: nhc@nhc.org

November 27, 1995

BUDGET TALKS BETWEEN PRESIDENT AND CONGRESS RESUME THIS WEEK

White House officials and Congressional leaders are expected to resume work this week on a seven-year balanced budget plan...Meanwhile, conference reports on the appropriations bills for the District of Columbia (H.R. 2546) and for VA, HUD and various independent agencies (H.R. 2099) are scheduled for final Congressional action this week...President Clinton, however, is expected to veto the VA, HUD bill because it would make deep cuts in funding for the Environmental Protection Agency and Americorps.

With a veto also expected on H.R. 2491, the omnibus budget reconciliation bill, supporters of the Low Income Housing Tax Credit are working to see the bill's termination of the credit as one of the reasons listed by the President in his veto message...Other tax related housing provisions in the reconciliation bill include permitting penalty-free distributions from Individual Retirement Accounts for first-time home purchases, and the creation of a second savings plan, to be called IRA Plus, which would allow non-deductible and tax-free distributions for first-time home buyers and other specified purposes.

HELEN DUNLAP REPLACED AS HUD DEPUTY ASSISTANT SECRETARY FOR MULTIFAMILY PROGRAMS

Among a series of personnel moves within HUD's Office of Housing, Helen Dunlap, Deputy Assistant Secretary for /Multifamily Programs, has been reassigned to be the new Deputy Assistant Secretary for Operations.. Replacing Helen as DAS for Multifamily will be Chris Greer, current serving in the Office of Inspector General.

VA, HUD CONFERENCE REPORT RENEWS SOME EXPIRING PROJECT-BASED CONTRACTS

Despite the expected veto of H.R. 2099, certain provisions will likely go unchanged in any rewritten bill submitted to the President...As it stands now, the conference report provides for renewal -- for one year -- of Section 8 new construction and substantial rehabilitation contracts expiring during FY 1996 at current rents, providing the project owner asks for such an extension...However, language added to the conference report at the last minute provides for expiring moderate rehabilitation project-based assistance contracts also expiring in FY 96 to be replaced by vouchers, and according to the conference report, all expiring contracts would be replaced with vouchers beginning in FY 1997...Of course, provisions in H.R. 2099 concerning FY 1997 could be superseded by either next year's appropriations bill, or a housing authorization bill written by the House and Senate Banking Committees. H.R. 2099 also provides for a modest demonstration program to test the Clinton Administration's so-called "mark-to-market" strategy, but project owners would have to volunteer to participate.

EXISTING HOME SALES WEAKEN IN OCTOBER

According to a report issued by the National Association of Realtors, sales of existing homes fell for the first time in six months during October despite falling mortgage interest rates...Sales fell 1.9 percent to a seasonally adjusted rate of 4.07 million, down from a seasonally adjusted rate of 4.15 million for September...The October decline was the first monthly decline in sales since last April...National Association of Realtors officials said that the housing market remains strong, and that the October decline should not be interpreted to mean that the housing market in general was headed downward.

2

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Route Slip

To: Robert E. Litan, OMB	Take necessary action [ ]
Jeremy Ben-Ami, DPC	Approval or signature [ ]
Molly Brostrom, DPC	Comment [ ]
Bruce Katz, HUD	Prepare reply [ ]
Mike Stegman, HUD	Discuss with me [ ]
Marge Turner, HUD	For your information [ ]
Steve Redburn, OMB	See remarks below [x]

From: Katherine Meredith
395-4988

Date: December 18, 1995

Remarks:

Attached are talking points for the meeting with the low-income housing advocates scheduled for **December 21, 4 p.m.** This will be an unprecedented opportunity to explore options and share views with advocates during the development of FY 1997 budget proposals. Our discussion will focus on the problems surrounding public and other project-based housing, the merits and limits of vouchers, and possible approaches we could take in the FY 1997 budget.

Those invited are:

Center for community Change (Deepak Bhargava)
ACORN (Jerry Jones)
National Housing Law Project (Nancy Bernstine)
National Low Income Housing Coalition (Bob Adams)
National Alliance to End Homelessness (Nan Roman)
United States Catholic Conference (Tom Sellabarger)

Attached are:

(1) Talking points. These discuss budget realities, problems of project-based programs, merits/limits of vouchers, and some options for the FY 1997 budget.

(2) Chart. This chart provides very brief comparison of (a) 1996 HUD Reinvention proposals and (b) possible 1997 options for three project-based programs: public housing, newer subsidized multifamily housing, and older subsidized multifamily housing.

cc: K. Kizer D. Limo

ATTACHMENT 1

Public and Subsidized Housing Discussion with Low-Income Housing Advocates <u>Talking Points</u>

I. INTRODUCTION

<u>Purposes</u> of this discussion: (1) to define some common ground on the realities driving decisions for 1997 budget on assisted housing; and (2) to explore alternatives.

We start with the following <u>realities</u>:

Discretionary resources will be roughly flat in nominal terms and declining in real terms for the foreseeable future. It will be difficult to maintain, much less expand housing commitments.

Over 5 million very low-income households have severe housing needs.

Many older subsidized projects are either too costly, failing to provide decent housing, in danger of default, or all three.

Portable subsidies, on the whole + *especially for families, have been proven to offer superior benefits, more choice, and more support for movement to self-sufficiency. They are about one-half as expensive over the long term. [The groups will contest this; OMB/HUD will need to defend; more on this below.]*

<u>However</u>, portable subsidies will not work for everyone or under all circumstances.

Because of budget constraints and the problems of older programs, the Federal role in low-income housing is going to change. The only question is how to change, consistent with national goals.

Our goals, as we develop proposals are to:

Maintain, and if possible expand, the number of very low-income families and elderly receiving housing subsidies.

In an orderly way, replace subsidies to failing and non-viable projects.

For families, support efforts to move to self-sufficiency.

Reward good management and efficient operation of public and assisted housing.

Reinvention. To meet its challenges, HUD must be reinvented as an organization. We support the Secretary's efforts to improve the operation of HUD and to decentralize it to the extent possible. HUD's programs and management must be results-driven. The role of the local, grassroots organizations partnering with the State and Federal government will become critical as budgetary resources become more scarce.

II. PUBLIC HOUSING — All or how much ?

Some/Parts of

- Public housing (1.4 million units) is faced with multiple problems, some structural in nature:

  1. Residents cannot choose where they live.
  2. Concentrates the very poor in hostile, dangerous environments.
  3. Funding/management provides poor incentives and no market test of housing/neighborhood quality.
  4. Environment offers little to support work efforts.

- Public Housing is in poor condition, with a *$20 billion* backlog of capital needs. The current budget outlook makes it impossible to ever meet these needs or to continue to develop replacement units. Nor can we sustain the stock, even in current condition, if operating and capital subsidy appropriations are flat.

- Congress did not enact 1996 proposals to begin replacing public housing with vouchers. However, it did enact several provisions that will lead to elimination of the worst projects and increasing use of vouchers as replacements and to support movement to work.

- Congress may attempt to "take away" much of public housing by simply relaxing income limits, allowing the best parts to be occupied by families that require little or no subsidy. To successfully resist, we must find other ways of reducing costs and show that it benefits poor families.

III. SUBSIDIZED MULTIFAMILY HOUSING

- The portfolio of rental properties that receive both Section 8 subsidies and FHA mortgage insurance (860,000 units) has several long-term problems. These include high cost and growing physical problems, mostly in older properties.

- A "Mark-to-Market" (MTM) strategy was proposed in the 1996 budget to address these problems. MTM would restructure projects with high debt, expose properties to market, and offer residents choice. Project-based subsidies would be converted to vouchers and mortgages would written down to reflect their true market value.

- The benefits of MTM are not only long-term savings but also better housing options for assisted tenants, allowing them to seek out the best and most appropriate housing and to leave poor housing.

- The transition to new practices would be eased by several policies. Rehabilitation funds and short-term project-based assistance would be available. Elderly and disabled tenants would be able to stay in their units without bearing rent increases. Assistance may be extended to low-income households not currently receiving subsidies.

- Congress did not enact MTM this year; however, it also did not fund discretionary resources to sustain troubled older projects (LMSA, Flex Sub) and rescinded these funds in 1995. Moreover, the conference version of 1996 appropriations only gives HUD authority to renew high-cost project-based Section 8 contracts on current terms for one year. After that, HUD may renew contracts at no higher than the Fair Market Rent.

- There is still a need for a comprehensive strategy. The fundamental problems of this portfolio will otherwise cause a rapid loss of value and massive displacement. Properties will default as their subsidies are reduced. Older properties -- that often receive low subsidies -

–may fare better financially but will face physical deterioration without new income or recapitalization.

IV. VOUCHERS

Vouchers assist about 1.4 million families and elderly.

OMB and HUD agree that vouchers cost about one–half, over 30 years, as much as developing new public housing. [We should offer groups analysis demonstrating this.]

About 80 percent of the persons given a voucher are able to find housing (1994 study of certificate and voucher recipients in 33 large urban areas).

-- The 20 percent who don't find housing include: those who do not want to move into neighborhoods they are not familiar with, have problems locating landlords willing to accept vouchers, do not actively seek available housing, or are victims of discrimination.

-- Vouchers are returned to the PHA to be passed on to someone else on the waiting list if the holder is unable to find housing.

? -- If funding to renew vouchers were cut in the future, vouchers would be recaptured when they are returned to the PHA.

Vouchers are funded (BA) for a five–year contract term (pre–1996) or a two–year term (1996 and on). The renewal is transparent to the tenant. The length of the contract does not affect its holder's rights in any way, and holders can use the vouchers for as long as they qualify for assistance.

Vouchers have some limitations:

1. Some voucher holders are unable to find suitable units (cost, size, location, landlords willing to accept vouchers, discrimination).

2. Vouchers don't spur new housing production. [However, two relatively new Federal programs (HOME block grant and Low–income Housing Tax Credit) provide about $4 billion

in subsidies annually, mostly for construction and rehabilitation of low-income units. These can be viewed as complementary to vouchers.]

[We would like the groups' input on how to minimize problems that affect vouchers' utility to recipients.]

V. OPTIONS FOR THE FY 1997 BUDGET

- Public Housing.

  Subject public housing to market discipline. Replace operating and capital subsidies for some portion of the invention with portable rental assistance for residents. Residents would be free to choose to stay where they are or seek housing in the private market.

  Accelerate demolitions. Bring down 80,000 to 100,000 of the worst, high-cost units by 1999. Provide certificates to any displaced tenants (many of the units are vacant). Congress has agreed to eliminate "one-for-one replacement" requirement, which blocked demolition unless funds were available to build new units.

  S'what theoretical

  Make public housing a platform for self-sufficiency. Selected public housing tenants would enroll in work or training to become self-sufficient. PHAs would partner with educational institutions, businesses, and nonprofits to provide services. (Same approach can be used in subsidized multifamily projects.)

  Reform management. Current subsidy/oversight system is simultaneously ineffective and burdensome. Deregulate well-run and small PHAs. Show zero tolerance for deeply troubled PHAs.

- Newer Subsidized Multifamily.

  Re-propose MTM as in FY 1996 Budget, OR

  Propose a modified MTM. Possible changes include:

- *Implement MTM but ease the transition by allowing higher subsidy rates for sitting tenants who wish to stay in their current units. This softens the transition for both owners and tenants but decreases the savings produced by MTM.*

- *Reform the current system of project-based assistance by requiring project subsidies to correspond to actual expenses (budget-basing). Payment of FHA claims where necessary and voluntary voucher conversions could also be authorized. This would be difficult for HUD to administer effectively, however, and would create pressure to provide new "sweeteners" to property owners.*

- Older Subsidized Multifamily

  As noted above. Additional alternative to reproposal of MTM:

  - *Implement MTM only for the new portfolio -- where the bulk of high subsidies reside. This makes MTM appear more financially advantageous but ignores growing physical problems in the older portfolio.*

ATTACHMENT 2

	FY 1996 Reinvention	HUD/OMB Options
Public Housing	• All public housing units are converted to tenant-based assistance (certificates) by 2002. Public housing residents can use certificates to stay in public housing. • Allow PHAs to demolish the worst units. Eliminate "one-for-one replacement" which requires PHAs to replace demolished units with new units. • Consolidate funds into two formula grants: operating and capital. Provide sufficient funding so PHAs can upgrade their stock (where necessary) to be competitive with private housing.	• Accelerate demolitions by bringing down 80,000 to 100,000 of the worst, high-cost units by 1999. Provide certificates to any displaced tenants (many of the units are vacant). • Make PH a platform for work effort: public housing tenants enroll in work or training. PHAs partner with educational institutions, businesses, and nonprofits to provide services. • For some family projects, phased replacement by portable subsidies. Other projects, well-run smaller PHAs continue to receive subsidies based on Performance Funding System (PFS). • Deregulate small, well-run PHAs. Show zero tolerance for deeply troubled management.
Newer Subsidized Multi-Family	• A "Mark-to-Market" (MTM) strategy was proposed to address fundamental problems in the portfolio of properties receiving both FHA insurance and rental subsidies. • MTM would expose properties to market forces. Project-based subsidies would be converted to vouchers and mortgages	• Re-propose MTM as submitted in 1996 budget; OR • Re-propose MTM but ease transition by allowing higher voucher rates should sitting tenants desire to stay in current units OR • Attempt to rein in excessive subsidies by holding them to stricter "budget-basing,"

	would written down to reflect their true market value.	paying FHA claims where necessary and converting to voucher with consent of owners and/or tenants.
Older Subsidized Multi-Family	• As noted above.	• As noted above. Also: • Mark to market newer portfolio but renew subsidy contracts for older portfolio at current rates. Accept higher mandatory default costs.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

COVER SHEET

Number of Pages (excluding cover sheet): ______ Date: 12/19

To:

Name: Molly Brostrom

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FAX Number: 67028

From:

Name: STEVE REDBURN

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Time:

SPECIAL INSTRUCTIONS: FYI

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release December 18, 1995

TO THE HOUSE OF REPRESENTATIVES:

I am returning herewith without my approval H.R. 2099, the "Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1996."

H.R. 2099 would threaten public health and the environment, end programs that are helping communities help themselves, close the door on college for thousands of young people, and leave veterans seeking medical care with fewer treatment options.

The bill includes no funds for the highly successful National Service program. If such funding were eliminated, the bill would cost nearly 50,000 young Americans the opportunity to help their community, through AmeriCorps, to address vital local needs such as health care, crime prevention, and education while earning a monetary award to help them pursue additional education or training. I will not sign any version of this appropriations bill that does not restore funds for this vital program.

This bill includes a 22 percent cut in requested funding for the Environmental Protection Agency (EPA), including a 25 percent cut in enforcement that would cripple EPA efforts to enforce laws against polluters. Particularly objectionable are the bill's 25 percent cut in Superfund, which would continue to expose hundreds of thousands of citizens to dangerous chemicals and cuts, which would hamper efforts to train workers in hazardous waste cleanup.

In addition to severe funding cuts for EPA, the bill also includes legislative riders that were tacked onto the bill without any hearings or adequate public input, including one that would prevent EPA from exercising its authority under the Clean Water Act to prevent wetlands losses.

I am concerned about the bill's $762 million reduction to my request for funds that would go directly to States and needy cities for clean water and drinking water needs, such as assistance to clean up Boston Harbor. I also object to cuts the Congress has made in environmental technology, the climate change action plan, and other environmental programs.

The bill would reduce funding for the Council for Environmental Quality by more than half. Such a reduction would severely hamper the Council's ability to provide me with advice on environmental policy and carry out its responsibilities under the National Environmental Policy Act.

The bill provides no new funding for the Community Development Financial Institutions program, an important initiative for bringing credit and growth to communities long left behind.

While the bill provides spending authority for several important initiatives of the Department of Housing and Urban Development (HUD), including Community Development Block Grants, homeless assistance and the sale of HUD-owned properties, it lacks funding for others. For example, the bill provides no

more

(OVER)

funds to support economic development initiatives; it has insufficient funds for incremental rental vouchers; and it cuts nearly in half my request for tearing down the most severely distressed housing projects. Also, the bill contains harmful riders that would transfer HUD's Fair Housing activities to the Justice Department and eliminate Federal preferences in the section 8, tenant-based program.

The bill provides less than I requested for the medical care of this Nation's veterans. It includes significant restrictions on funding for the Secretary of Veterans Affairs that appear designed to impede him from carrying out his duties as an advocate for veterans. Further, the bill does not provide necessary funding for VA hospital construction.

For these reasons and others my Administration has conveyed to the Congress in earlier communications, I cannot accept this bill. This bill does not reflect the values that Americans hold dear. I urge the Congress to send me an appropriations bill for these important priorities that truly serves the American people.

WILLIAM J. CLINTON

THE WHITE HOUSE,
December 18, 1995.

# # #

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

19-Dec-1995 08:25am

TO: (See Below)

FROM: Francis S. Redburn
Office of Mgmt and Budget, HTF

SUBJECT: RE: Revised/Final Talking Points for LI Hsg. Advocates Mtg.

Good question about PH. In fact, the policy proposals for public housing DO distinguish sharply between well-run and troubled PHAs and between viable and non-viable projects. Within the viable group, there are also important differences between family and elderly projects; most family projects may eventually be converted to vouchers, in part because it provides better incentives for the real estate but also because the goal is to provide mobility for those needing to use housing aid to move toward economic opportunity. This is consistent with the 30 PHA demo. enacted in this year's appropriation. ?

The split in the FHA-insured subsidized multifamily inventory is sharper than between good and bad PH, because the two sets of MF projects represent two generations of programs with different rules and problems.

Distribution:

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