

Public Housing

Final FY12 HUD funding bill:

- Cuts the public housing capital fund by 8%, compared to FY11 funding.
- Cuts the public housing operating fund by 14%, compared to FY11 but allows HUD to offset no more than \$750 million in reserve funding to supplement the operating fund.
- Funds the Choice Neighborhoods Initiative program at \$120 million. The final bill includes no funding for HOPE VI but does require that at least \$80 million of the \$120 million of CNI funds go to PHAs.
- Includes a Rental Assistance Demonstration (RAD), allowing up to 60,000 public housing and mod rehab units to convert to project-based Section 8 contracts or project-based vouchers.

Background:

Congress and HUD continue to considering several proposals related to preserving the nation's 1.2 million public housing units. Annually, more than 10,000 public housing units are lost to either demolition or disposition (sale) because the local housing authority believes it can no longer maintain the units in a cost-effective manner. Overall, more than 165,000 public housing units have been lost and most have not been replaced with hard, public housing units.

In HUD's budget request for FY12, HUD sought \$200 million to allow a demonstration some public housing units to convert to project-based assistance, under a Rental Assistance Demonstration (RAD). In August, HUD circulated legislative language on RAD, a version of which was included in the FY12 Senate HUD funding bill. NLIHC worked with a broad group of stakeholders to improve RAD authorizing language in the Senate HUD FY12 funding bill. The final FY12 HUD bill includes a RAD demonstration, requiring long-term, renewing use restrictions and contracts, public ownership, and resident protections and participation.

RAD is to provide public housing agencies the ability to convert from their current public housing subsidy streams and to either project-based Section 8 or project-based voucher subsidy. In RAD, the new form of subsidy would be high enough that public housing agencies could borrow funds from private financial institutions in order to more adequately meet public housing's preservation needs. With private financing, protecting public housing and resident rights are key considerations.

Senator Robert Menendez (D-NJ), Chair of the Senate Banking, Housing and Urban Affairs Subcommittee on Housing, Transportation and Community Development, introduced legislation to authorize HUD's Choice Neighborhoods Initiative (CNI) program, S. 624. CNI is to be the successor to HUD's HOPE VI program, which provides grants to public housing agencies to revitalize severely distressed public housing.

Representative Maxine Waters introduced a public housing preservation bill, H.R. 762. The bill would authorize the CNI program, while including improvements to HUD's CNI proposal sought by NLIHC and others relating to one-for-one replacement language, protections against displacing low income renters in gentrifying neighborhoods that receive CNI grants, and effective requirements for determining resident preferences for relocation and return, and tenant participation.

The bill would also make significant changes to the public housing demolition and disposition processes, one of which would require the replacement of all housing units lost through demolition and disposition, those lost through the mandatory or voluntary conversion of public housing units to tenant-based vouchers, or by eminent domain. The bill would provide new financing tools for public housing preservation and allow conversion of public housing to assisted living facilities and to service-enriched housing. Finally, the bill would authorize a program to provide four public housing agencies grants to train public housing residents as home health aides and as providers of home-based health services to elderly and disabled residents of public or assisted housing.

A draft Section 8 Savings Act (SESA), the predecessor to earlier Section 8 Voucher Reform Acts, also could be formally introduced in the fall of 2011. A second hearing on a second draft of the SESA legislation was held on October 13 in the House Financial Services Subcommittee on Insurance, Housing and Community Opportunity.

The second draft of SESA would allow public housing agencies to increase minimum rents in the public housing and voucher programs to the greater of \$75 or 12% of Fair Market Rent, pushing potentially massive rent increases on the lowest income families. NLIHC strongly opposes these minimum rent increase proposals as they will cause significant hardship on the lowest income families in the highest cost markets.

At the same time as the second draft version of SESA was circulated, so too was a bill to expand the Moving to Work program to all PHAs. NLIHC submitted testimony to the October 13 hearing strenuously opposing both the increased minimum rent provisions and the Moving to Work expansion bill.

NLIHC opposes any expansion of MTW because:

- The MTW demonstration has never been fully evaluated. An evaluation would allow Congress to identify any promising efforts that could be repeated by other housing agencies as well as any harmful policies instituted by MTW agencies that should be prohibited in the future.
- Unlike non-MTW agencies, MTW agencies do not have to target their assistance to extremely low income households. Instead, MTW agencies only have income targeting requirements for very low income households, leaving behind those with the greatest housing problems.



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- MTW agencies do not have to comply with the Brooke standard of affordability, leaving open the possibility that residents must leave or be evicted from their public or voucher-assisted housing because they can no longer afford their rent.
- MTW allows for the blending of public housing and voucher resources, and for agencies to essentially design their own programs and program requirements. This is tantamount to the block granting of resources for public housing and vouchers and, ultimately, will result in decreased support and funding for these critical programs as the use of federal funds by MTW agencies are not known or understood.