



# Paying the Price:

## The costs of cutting public housing funding

The faces of public housing residents are varied—in age, race, gender, and background—but, like all of us, public housing residents seek a safe, decent, affordable place to call home. In response to the Great Depression, public housing was established by the Housing Act of 1937:

*“It is the policy of the United States to promote the general welfare of the Nation by employing its funds and credit, as provided in this Act, to assist the several States and their political subdivisions to remedy the unsafe and unsanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of lower income.”*

At its core, the public housing program is about people, not money. It is about helping those in need: those who, like many Americans, proved to be just once accident, one illness, one paycheck away from facing homelessness, or who are simply priced out of a hot housing market. Adequately housing our most vulnerable Americans should be a priority in this country, but the dwindling resources for housing authorities nationwide puts these families at risk.

As a nation, we have fallen woefully short of the promise set forth in the 1937 Housing Act. Housing agencies have been underfunded for most of the past decade, have resorted to pay cuts, concessions, layoffs and reductions in service to residents, and have lost their ability to cope with unforeseen circumstances. At this point, there is no room left in their budgets to cut.

As the hardworking people who manage public housing will tell you, the government may be cutting costs, but it's public housing residents—children, elderly, disabled—who are paying the price.



### Who Lives in Public Housing?

- More than 40 percent of public housing residents are children.
- Over half of the families living in public housing are headed by seniors or people with disabilities.
- The average income for public housing families is \$11,884, less than one-third of the national average, including families that work.
- More than half of public housing families are considered “extremely low-income,” meaning they earn less than 30 percent of Area Median Income.
- More than half of current families have been living in public housing five years or less.

# Death by a Thousand Cuts: Public Housing Authorities Speak Out on the Consequences of Lost Funding

*“It is a daily struggle to make ends meet with the continuing cuts to Public Housing. We have eliminated any outside contracting, e.g., snow plowing, painting, etc. We are also cutting, or asking for more employee contributions to, health insurance benefits. The bottom line is that in the end it’s the residents that suffer - less service, slower response time to repairs and unit turnaround.”*

*“Based upon the data we have received, the cuts leave us with no choice but to lay off one quarter of our staff. Services that were once provided to our residents will be cut by at least 60 percent.”*

*“We have made significant cuts in security, maintenance, social services, and central office staff. Residents are feeling the negative consequences of the cuts. Staff levels have decreased from 280 to 175.”*

*“The subsidy reduction will be the death knell for our Van Transportation Program. Several years ago, we invested in a fully handicap-accessible 11-passenger minibus. The van transports the elderly and disabled to medical appointments, grocery stores, special events and much more. The program will end, residents will have to rely on the transit system, and two valued part-time drivers will be permanently furloughed.”*

*“We have only one building that houses senior and disabled residents. Since starting my tenure at the Housing Authority, I have been determined to enhance the quality of life for our residents and, despite the cuts, make the building one that they are proud to come home to, one that functions properly and is appealing. While we have not been able to rely on HUD to provide the much-needed funds*

*to do this, our Housing Authority staff has worked nights, weekends, and even holidays and has held numerous fundraisers throughout the year. Each does this without any extra compensation because we believe in the mission of the agency. We have held benefit motorcycle runs, solicited donations of paper goods and maintenance supplies, developed partnerships, held dinners and rummage sales, and more. Still, we do not have as much as we need to upgrade and repair the building. It seems that the harder our employees work, the more cuts we are faced with. We can’t afford to compensate our employees on a full-time basis because we can’t afford to pay health benefits. Thus, they are paid part-time hours for full-time dedication to the residents. We*

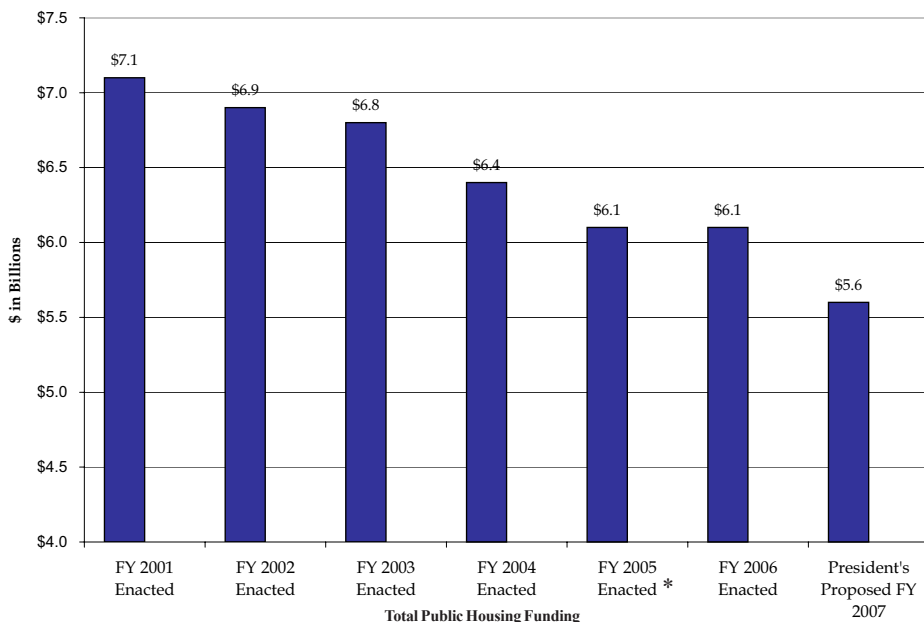
**“IT SEEMS THE HARDER OUR EMPLOYEES WORK, THE MORE CUTS WE ARE FACED WITH.”**

*have cut our spending and tried to come up with creative ways to save even more. It is disheartening to each of us to work so hard to serve this most frail segment of our population and be given no consideration for what we have been able to do and hope yet to accomplish.”*

*“Because rents are controlled, our agency has no other resources other than reserves to meet regulatory and resident needs. The future is bleak!”*

*“We will have to eliminate our Resident Initiatives Coordinator position. The loss of this position will create quite a void for residents throughout our entire agency that she has served so very well for so many years.”*

## Public Housing Disinvestment Continues



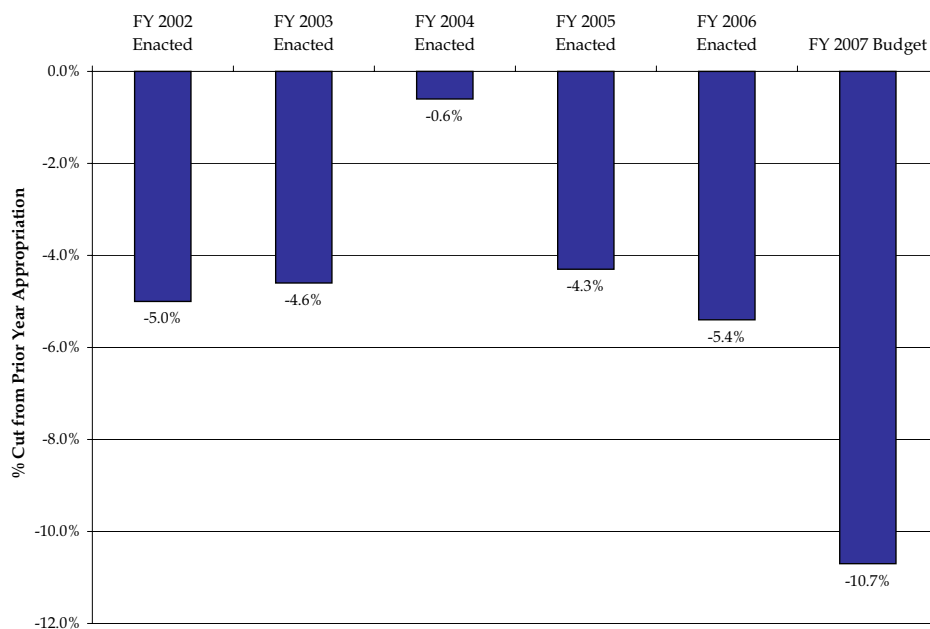
\* FY 2005 annualized to adjust for a one-time shift in the timing of the Operating Fund program year.

# Preserve & Expand the Public Housing Inventory

Capital Funds are used to maintain, repair, improve and modernize public housing properties, many of which are more than 50 years old. And yet, Capital Funds have been cut year after year, threatening the integrity of a collective \$100 billion public asset, and hindering development of new housing suited to the needs of America's changing families in thriving, mixed-income communities. Further exacerbating the problem are steady cuts to the Operating Fund, which often means that maintenance is deferred. It is estimated that the capital needs backlog nationwide is more than \$20 billion.

In the November 7, 2006 *Ventura County Star*, the Executive Director of the Area Housing Authority of Ventura County said that under HUD's proposed funding, his authority's 355 units would still remain affordable, but maintenance might not continue at the same level.

Public Housing Capital Fund Cuts



“Right now, you can’t pick out public housing” in a neighborhood, he said, noting that the buildings are well kept and indistinguishable from market-rate dwellings. “In a couple of years, I may not be able to say that.”

HUD recently documented a \$283 million shortfall in the Operating Fund for FY 2006, attributable to *utility expenses* alone. Public housing authorities pay utility bills, and the incredible rise in costs since the hurricane season of 2005 has further added to their financial burdens:

*Over the past four years, we have lost \$90,586 due to utility costs exceeding their budget from HUD. The gap has been widening each year, growing from approximately \$9,400 in 2002 to nearly \$31,000 in 2005. After just three months of the current year, we have already used up approximately half of the \$144,000 allotted for utilities by the currently funding formula.*

*This has really hurt us. We have had to eliminate a full-time staff position and reduce our only part-time security staff person from 20 hours per week to 8. We have also eliminated our police officer in public housing program, because with the utility shortfall we cannot afford to forego the subsidy we would be getting on these units if occupied by public housing residents. We have reduced our youth programs to almost nothing. We implemented minimum rents of \$50 - I don't like doing that because if you have someone that should be paying \$10 based on income, it's hard for them to come up with the \$40 difference.*

Thus far, public housing advocates' requests for supplemental utility funding have been denied. NAHRO continues to recommend that the administration and Congress provide supplemental emergency funding for unanticipated utility costs resulting from the 2005-2006 national energy crisis. In the public housing program, \$300 million will be necessary to offset agency-borne utility costs and maintain housing quality for residents.

## Keep the Lights on: The Explosive Growth in Energy Costs

# Preserving and Improving Public Housing: A Local View.

In May 2006, a NAHRO member and Executive Director of a mid-sized housing authority testified before the Committee on Government Reform's Subcommittee on Federalism and the Census in the 109th Congress on issues facing public housing that must be addressed in order for public housing to be managed effectively.

These issues, in the member's own words, are:

## 1. Modify the rent structure to support operations.

"Currently, the amount of rent a family pays is tied to their adjusted income. The subsidy I receive from HUD is tied, loosely, to my cost of operation. More logically, the amount of rent I receive needs to be tied to my cost to operate. The subsidy needs to be tied to family income."

## 2. Preserve the housing asset.

"Our oldest public housing units were built in 1972 and therefore are reaching the end of their life cycle. Despite a talented maintenance staff, we are currently deferring close to \$1 million in improvements annually. Our 20-year capital needs assessment confirms this. We have lost a lot of ground due to the absence of appropriate capital tools."

## 3. Promote flexibility and reduce regulatory burden.

"We spend a large amount of staff time on the new administrative provisions of Quality Housing and Work Responsibility Act, specifically our agency plan, the community service requirement and income targeting strategy, to name just a few."

## 4. Recognize the service needs of residents.

"I can't be a successful property manager if I can't provide the services residents need to live independently, to be good neighbors and to gain a measure of self-sufficiency. It is essential that we care as much about residents' quality of life as we do about the quality of our assets."

## 5. Restructure the underlying financing.

"I need a rent from HUD in which I will be guaranteed the funds required for basic operating costs and capital needs by making an annual contribution to a reserve for replacement and/or financing capital improvements through debt. I use this model to manage everything else in my portfolio. The degree of difficulty is a fraction of the difficulty in managing public housing currently."

## Suggested Reforms for Responsible Stewardship of Public Housing

NAHRO believes the public housing program can be preserved and improved through reform and adequate funding. Indeed, reform is *imperative* due to the confluence of federal disinvestment, an unwieldy authorizing framework, and overly-prescriptive regulations in the public housing program. NAHRO's suggested reforms include:

- The concept of public housing sustainable rent (PHSR), under which a public housing authority identifies the revenue necessary to maintain and sustain its real estate and associated services. The PHSR model accomplishes several things:
  - identifies the funds necessary for a replacement reserve as well as for addressing capital backlog;
  - increases a housing authority's ability to finance operating and capital needs through mortgage refinancing, if needed;
  - shifts investment in the property's performance and its related risk management to the local level;
- A pilot program to convert public housing to Section 8 project-based assistance.
- Expansion of the Moving to Work demonstration program to investigate new methods of addressing household income, rent simplification and reform;
- A performance initiative that is an independent, third-party, internet-based management information and performance evaluation system driven by industry-approved standards.
- Expanded use of the tax credits/incentives to preserve and, where possible, expand the existing inventory of public and other affordable housing.

# Having to do More with Less: **Unfunded Need**

	<b>FY 2006 Enacted</b>	<b>HUD Request FY 2007</b>	<b>NAHRO Recommendation FY 2007</b>
<b>Public Housing Operating Subsidy</b>	<b>\$3.564 B</b>	<b>\$3.654 B</b>	<b>\$4.5 B *</b>
<b>Supplemental FY 2006 Public Housing Utility Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$300 M</b>
<b>Public Housing Capital Fund</b>	<b>\$2.439 B</b>	<b>\$2.178 B</b>	<b>\$3.5 B</b>
<b>HOPE VI</b>	<b>\$99 M</b>	<b>-\$99 M</b>	<b>\$600 M</b>
<b>Public Housing Safety and Security</b>	<b>\$0</b>	<b>\$0</b>	<b>\$310 M</b>
<b>Service Coordinators for Elderly and Disabled Persons</b>	<b>\$15 M w/in Operating Fund</b>	<b>\$15 M w/in Operating Fund</b>	<b>\$50 M funded separately (no set-aside)</b>
<b>Resident Opportunity and Self-Sufficiency, including Public Housing Family Service Coordinators</b>	<b>\$37.6 M w/in Capital Fund</b>	<b>\$23.8 M w/in Capital Fund</b>	<b>\$55 M</b>
<b>Affordable Housing Production</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1 B</b>

\* HUD has documented the need for operating subsidy in FY 2007 at \$4.536 B

Given the nation's growing need for affordable housing and community development, maintaining the status quo or reducing funding will not create a future in which we can promote and build strong communities and affordable housing and provide services to low- and moderate-income people. Housing researchers have found that there are nearly 30 million families with severe housing cost burdens. To address this, we need an aggressive, multi-pronged approach that recognizes and treats the broad range of issues that are symptomatic of communities in distress.

The following four principles form the basis of a multi-pronged approach to addressing not only the symptoms of housing distress in our communities, but also the underlying problems that can thwart good efforts to improve the quality of life for middle- and lower-income families, seniors and people with disabilities.

- Preservation of the existing affordable housing inventory
- Production to increase the affordable housing inventory relative to local demand
- Support for and encouragement of the growth and development of high-quality communities
- Encouragement of responsible public policy through practical reform

**THE  
PRESIDENT'S  
FY 2007  
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\$1.5  
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LESS  
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FOR PUBLIC  
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IN 2001.**

# Being Creative with the Tools We Have

Across the country, public housing authorities are endeavoring to address local needs despite years of disinvestment and underfunding. Through collaborative partnerships, creative financing and ingenuity, they are attempting to complete their mission. Take, for example, the Tampa Housing Authority and the Housing Authority of the County of Merced, who went the extra mile to continue to provide residents with affordable housing opportunities and valuable healthcare:

*The Tampa Housing Authority's (THA's) Arbors at Rubin Padgett Estate, a 119-unit public housing development that was formerly a motel, was in need of modernization. The THA employed a construction approach that includes energy conservation measures and the upgrade of all building components, including site and landscape structures, to engender in the residents a heightened sense of community. The THA's extremely low Capital Fund grant admittedly had a negative impact on the overall improvement design, but the authority was determined to target the needs of its residents while controlling costs. The inclusion of improved landscape, a site-based management office, laundry facilities, and energy-efficient fixtures and appliances in the modernization of The Arbors has helped to restore a sense of place and pride to the residents.*

*The Housing Authority of the County of Merced (HACM) partnered with the Tzu-Chi Foundation, an international medical association, to provide primary care, health testing and health information free of charge to low-income and uninsured residents. By involving other strong neighborhood-based organizations in the project—including the Health Care Access Coalition, which provides health care services to the underprivileged—HACM was able to draw from a wide range of resources and support. On the day the health clinic was held, twenty percent of HACM residents took advantage of the opportunity. Services included dental work, chiropractic care, prescriptions, and referrals to low or no cost health insurance providers. In addition, free haircuts, school supplies, personal hygiene and cleaning products were handed out to many of those waiting in the long line to receive care.*

## Why We Must Save Public Housing

Despite the challenges posed by underfunding and overregulation of the public housing program, local agencies such as those in Tampa and Merced are persevering and attempting to address local needs in the most complete, cost-effective and efficient manner possible—but many local agencies, following years of disinvestment, are unfortunately reaching a breaking point. Unlike private real estate, which is in many respects self-sustaining, public housing and the families it serves continue to rely to a great degree on federal government assistance. Without continued and adequate support from the federal government, coupled with responsible reform of the current program, our 75-year investment in public housing will be greatly endangered.

**Bottom line: public housing serves communities; public housing helps families; public housing should be saved!**

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The **National Association of Housing and Redevelopment Officials** (NAHRO), established in 1933, is a membership organization of 21,000 housing and community development agencies and professionals throughout the United States whose mission is to create affordable housing and safe, viable communities that enhance the quality of life for all Americans, especially those of low- and moderate-income. NAHRO's membership administers more than 3 million housing units for 7.6 million people.

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