

## HUD BUREAUCRATS STYMIE BOLD PUBLIC HOUSING PLAN

(Updating *Backgrounder* No. 359, "Public Housing: From Tenants to Homeowners," June 12, 1984.)

The housing authorization bill signed into law early this year includes an historic change in America's public housing program. Two new sections in the law would encourage public housing residents to become managers, and ultimately owners, of their projects. But before these provisions of the new law can be put into effect, the U.S. Department of Housing and Urban Development (HUD) must issue regulations detailing how the law will be implemented. In doing this, HUD bureaucrats have written draft rules that, in effect, would block tenant management. Thus unless the White House, or HUD Secretary Samuel Pierce, steps in to change these draft rules before final rules are issued early this September, the highly successful tenant management experiment will be ambushed — inflicting a major defeat on self-help efforts in the inner cities.

Tenant management in public housing projects has been one of the great success stories of recent years. In several cities, including Boston, St. Louis, and Washington D.C., resident management corporations now operate major projects. Usually the tenants are allowed to manage only the worst projects — and only when all else had failed. Despite this, the resident groups have achieved remarkable results.

**Rent Collection Up, Welfare Dependency Down.** Example: a study of the 464-unit Kenilworth-Parkside project in Washington D.C., conducted by the accounting firm of Coopers and Lybrand, projected the net savings for the city from tenant management at a total of \$4.5 million from 1982 to 1992. Three years after the tenants took control of Kenilworth-Parkside in 1982, however, rent collection had increased by 77 percent and the vacancy rate was slashed by more than two-thirds. Over 100 jobs have been created for residents, in building maintenance and in several businesses formed by the residents. A rekindled community spirit has enabled residents to tackle the social problems of the project. Teenage pregnancy is well down, as is the school dropout rate. Most astounding, the incidence of welfare dependency at Kenilworth-Parkside has plummeted from 80 percent in 1982 to just 3 percent today.

Similar results have followed tenant takeovers elsewhere, convincing lawmakers across the political spectrum that resident control in public housing projects may be the key to reversing the rapid deterioration of these projects. This belief spurred Representative Jack Kemp, the New York Republican, and Delegate Walter Fauntroy, the District of Columbia Democrat, to

sponsor a successful amendment to the 1987 housing act which makes it much easier for public housing residents to form a management corporation. Under the terms of the act, moreover, savings achieved by these tenant corporations can be used by them to improve the maintenance, establish business enterprises employing residents, or to acquire new dwellings for low income families. A second successful amendment enables successful management groups to purchase their projects. Kenilworth-Parkside and a project in St. Louis will begin the transfer to resident ownership later this summer.

**Avoiding Congress's Intent.** Public housing tenant groups supporting these amendments convinced the sponsors that the law, in effect, should establish a statutory "right to manage" and "right to buy." Their reasoning: tenant management can be successful only if residents are allowed to take the tough actions needed to take control of housing "concrete jungles." If public housing authorities (PHAs), the local bodies responsible for projects, can overrule or interfere with tenant corporation decisions, such control becomes impossible. Tenants added, moreover, that corrupt or inefficient PHAs often are the root cause of problems in projects. Allowing PHAs to veto the formation and decisions of a tenant management corporation thus would virtually guarantee failure.

The draft HUD regulations provide PHAs with several opportunities to stymie would-be tenant management groups. PHAs are inclined to do this, of course, because they see tenant management as a threat to PHA interests. The draft rules state that "the form and extent of tenant management or resident management are local decisions to be made by the PHA...." According to these rules, therefore, the PHA fulfills the law merely by holding discussions with residents. The PHA is not required to begin a process leading to tenant management. The proposed HUD rules, moreover, give tenants no effective mechanism for dealing with a PHA determined to resist tenant management. Thus a PHA could in practice ignore the new law. Kemp and Fauntroy have written to HUD emphasizing that it was not the intent of their legislation to allow PHAs to avoid tenant management in this way.

**Betrayed by HUD Bureaucrats.** The draft HUD regulations have angered tenant organizations that last year were applauding the Reagan Administration's support for tenant management legislation. Many tenant leaders now feel betrayed by the Administration and some are contemplating legal action against HUD. Yet their anger should be directed at the alliance of local housing officials and career HUD bureaucrats who are trying to use red tape to strangle legislation enacted by Congress. The White House can defuse the situation quickly and easily by instructing HUD to issue final rules that would prevent a PHA from blocking tenant management if the resident group meets the qualifications stated in the law. If the White House takes that action, it will show public housing residents that the Reagan Administration continues to support self-help efforts in the inner cities. If the White House does not step in, tenants understandably will conclude that the Administration cares little about their efforts to improve public housing projects.

Stuart M. Butler, Ph.D.  
Director of Domestic Policy Studies