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## CRANSTON - D'AMATO'S S.565: NEGLECTING AMERICA'S POOR

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### INTRODUCTION

The Senate's Committee on Banking, Housing and Urban Affairs this fall is scheduled to consider the most far-reaching and most potentially costly housing legislation in years. The National Affordable Housing Act (S. 565), as it is entitled, is coauthored by Alan Cranston, the California Democrat, and Alfonse D'Amato, the New York Republican. Cranston and D'Amato contend that their legislation will "...provide an effective new framework for national housing policy," and is "...the product of a two-year nationwide review of national housing policy. Virtually every major housing organization offered carefully considered recommendations."<sup>1</sup>

**Redirecting Resources.** Their "nationwide review," however, did not consult homeless and low-income Americans. To the contrary. They would be short changed by the Cranston-D'Amato proposal because it would redirect scarce Department of Housing and Urban Development (HUD) money away from those with very low incomes and toward a mixture of better-off households, including those whose incomes are beyond the eligibility criteria for any government housing assistance. Cranston-D'Amato, moreover, redirects government housing resources away from direct financial support for the poor and provides it to those elements in the construction and finance industries who have become dependent upon government support. So doing, the legislation creates more programs of the kind now subject to

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1 From the March 3, 1989, "Dear Colleague" letter signed by Senators Cranston and D'Amato.

influence-peddling probes by the Department of Justice and the Congress. Production-oriented programs like those in Cranston-D'Amato attract a long line of facilitators, developers, financiers, lawyers, consultants, political advisors, ex-Cabinet members, ex-HUD officials, former college classmates, Washington fixers, and well-meaning non-profit groups, that intervene between HUD and the poor, incur costly fees for services rendered, and substantially reduce the amount of financial assistance that ultimately reaches the poor.

**Helping Fewer Families.** By channeling money to high-cost construction programs, the proposal would reduce by as many as two-thirds the number of poor families that could be helped with the same amount of federal money if spent on direct assistance to the poor. With an estimated four million very low income households not now assisted by any federal program, and living in severely inadequate housing or paying more than 50 percent of their income on housing,<sup>2</sup> it is vital that federal housing resources are used as efficiently as possible and that such resources be directed to those in greatest need. The Cranston-D'Amato proposal fails on both counts.

Instead, the bill would create a new \$3 billion per year block grant program to subsidize construction or rehabilitation of rental housing for qualified households. Past studies have shown consistently that such production-oriented programs cost two to three times the price tag of rent vouchers or Section 8 certificates for each household assisted. Vouchers and certificates provide rental assistance directly to individual families.<sup>3</sup>

**Voucher Solution.** These programs are more appropriate, as well as less costly, than construction programs, since the main problem for the poor is inadequate incomes that prevent them from renting decent housing, not a physical shortage of units. Vouchers solve the problem directly by giving the poor the cash equivalent of the rent payments needed to acquire adequate housing. With the nation's rental vacancy rate now near an all-time high, the last thing HUD should be doing is squandering money to build more costly new units when there are plenty of vacant ones available. Instead of the two

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2 U.S. Department of Housing and Urban Development, *Congressional Justification for 1990 Estimates*, March 1989, Part I, p. C-4.

3 Vouchers work much like food stamps. They serve as an income supplement to the poor, providing them with the cash equivalent of the difference between 30 percent of their income and the fair market rent for apartments in their community. Vouchers get the government out of the home building and management business, roles that it tends to perform poorly. Section 8 certificates are very similar to vouchers except that total rent payments to eligible tenants are capped at 45 percent of the area's median rent.

years or more that it takes to construct expensive federally supported units, a well-managed voucher program would make many of the existing 2.7 million vacant rental units immediately available to the poor.<sup>4</sup>

**Choice for the Poor.** Rent vouchers have the added advantage of allowing the assisted poor to choose where they want to live, permitting, for example, a mother with young children to locate in a neighborhood or community with better schools, or an elderly couple close to shopping or relatives. Production-oriented programs, on the other hand, concentrate the poor into separate developments that perpetuate patterns of racial and social segregation.

During the 1980s, the Reagan Administration was able to direct 95 percent of all housing assistance provided by vouchers and certificates to what officially are known as “very low income” families, those earning less than 50 percent of an area’s median household income.<sup>5</sup> By contrast, under Cranston-D’Amato, less than half of the assisted new housing units built or rehabilitated under the new block grant program would have to be provided to this neediest group, which includes many of the homeless.

Other major provisions of the Cranston-D’Amato bill are equally troubling. One section would further jeopardize the already insolvent Federal Housing Administration insurance fund by requiring FHA to insure riskier mortgages. Another would require HUD to guarantee full payment on loans for unspecified housing-related purposes. Still another would extend an about-to-expire tax shelter program for mortgage revenue bonds that might well be the nation’s most inefficient way of assisting families to own their own home.

The bill also proposes to establish a new “rental credit” that would replace vouchers and Section 8 certificates. Although it presumably would function like a voucher, the Cranston-D’Amato proposed law would tie some of these credits to specific units rather than the household or tenant in need of assistance.

**Adding Layers to the Bureaucracy.** Finally, peppered throughout the Cranston-D’Amato bill are numerous requirements that would add new layers of HUD bureaucracy. While HUD certainly needs a management restructuring to tighten standards, Cranston-D’Amato’s recipe of redundant departments, dual responsibilities, and semi-independent affiliates will only add to the existing control problems. Any agency that can be looted as easily as was HUD in the past decade — in ways that apparently escaped the attention of the hundreds of HUD career managers, scores of Administration appointees, and numerous congressional committees and subcommittees — is

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4 U.S. Department of Commerce, Bureau of the Census, “Current Housing Reports, Housing Vacancies and Homeownership,” H-111-1988-4, February 1989.

5 This allocation of funds to very low income households is required by the U.S. Housing Act of 1937, as amended.

an organization in desperate need of a managerial streamlining. Cranston-D'Amato would not do this. It merely would add new departments, whose responsibilities would overlap those of the existing dysfunctional structure.

As currently written, the National Affordable Housing Act ineffectively addresses the important housing concerns confronting the nation. George Bush should demand a major overhaul of the bill and threaten a veto if these many costly and unnecessary provisions are incorporated in any housing bill sent to him for signature.

Experience teaches that housing programs that rely on new construction and rehabilitation are costly and inefficient, open to corruption, and severely limited in their ability to provide needed assistance to the ill-housed poor. The National Affordable Housing Act would be no different. By contrast, vouchers confront the problem directly and inexpensively by providing the poor with the cash equivalent needed to afford better housing. Scarce federal funds that would otherwise be wasted on new construction, tax loopholes, and risky credit programs should be redirected toward a well-managed voucher program to get the biggest bang for the buck.

## **HOW S.565 PERPETUATES AND EXTENDS COSTLY HOUSING PRODUCTION PROGRAMS.**

Beginning in the Great Depression and continuing through much of the postwar era, the goal of most U.S. federal housing assistance programs was to construct new housing units for families whose low incomes made them eligible for public assistance. Such programs had the added goal of providing jobs and business for the building industry. But by the late 1960s and early 1970s, there was a growing dissatisfaction with such production-based programs. This led housing experts and government officials to search for better solutions. This quest continues today.

**Up to Eleven Year Wait.** There were many reasons for the dissatisfaction. One was cost. Because of the high costs associated with each unit of new public housing, available resources could serve only a fraction of the eligible poor. Today only a small portion of the needy are served, and waiting periods of as long as eleven years exist at some projects — the average wait nationwide is over a year.<sup>6</sup>

The table below shows the per-household cost associated with several of the assistance programs in use over the past several years. As the table indicates, the cost of vouchers and Section 8 certificates is about half of the two federally assisted new construction programs listed, and almost a third the cost of new public housing construction programs.

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<sup>6</sup> *Privatization: Toward More Effective Government*, Report of the President's Commission on Privatization, University of Illinois Press, 1988, p. 12.

**Cost of Providing Government Housing Assistance,  
Per Housing Unit**

Program	Twenty-year Cost
Voucher	\$27,892
Section 8 Certificate	\$27,955
Farmer's Home Section (new construction loan subsidy)	\$35,210
Rental Housing Development Grant (new construction loan subsidy)	\$53,500
Section 8/292 Elderly Housing (new construction loan subsidy)	\$53,575
Public Housing (new construction loan subsidy)	\$69,863

SOURCE: Federal Housing Policy and Opportunities for Privatization, submitted to the Commission by the Office of Management and Budget, October 20, 1987, p. 32. Comparisons are based on discounted present value for new units constructed today or new rental subsidies issued today.

**Exacerbating Social Problems.** Another serious deficiency with production-oriented strategies continues to be that low-income housing projects constructed or funded by government often perpetuate racial and social segregation. High density housing projects for the poor frequently exacerbate social pathologies, contributing to high incidence of crime and drug use, and low levels of educational attainment and employment.

Such problems also lead to a high rate of wear and tear on the units themselves, further worsening living conditions and leading to extremely costly maintenance and frequent rehabilitation. The District of Columbia's Department of Public and Assisted Housing, which runs Washington's 59 public housing projects, is now receiving bids for renovation that are running as much as \$90,000 per unit<sup>7</sup>. This is about the price of a relatively new condominium unit in some of Washington, D.C.'s best suburbs, and substantially more than the cost of a condominium unit in less fashionable neighborhoods.

**Unresolved Dilemma.** The failings of production programs long have been recognized and many reforms have been proposed. The 1968 President's Committee on Urban Housing and the 1982 President's Commission on Housing both recommended against construction of new housing as the basic long-term strategy for assisting the poor. In an observation that is as timely

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<sup>7</sup> David Osborne, "They Can't Stop Us Now," *The Washington Post Magazine*, July, 30, 1989, page 28.

today as it was when first written fifteen years ago, the housing expert Arthur Solomon, a former director of the Harvard-M.I.T. Joint Center for Urban Studies, noted that

A history of federal policies for housing the urban poor would chronicle a succession of programs, each in its turn oversold to the public only to become sadly mired down in its operation, leaving the central dilemma – millions of families trapped in squalid living conditions – as unresolved as ever. The causes of disappointment have varied with circumstances: in most cases, a host of unanticipated costs, red tape and local political conflicts (over building codes, tenant selection, lending practices, and site location) have combined to frustrate congressional intent; in a few dramatic cases, exposes of windfall profits, shoddy construction practices, and other more or less familiar forms of human venality have culminated in outright congressional hostility.<sup>8</sup>

Solomon offers a reason why these programs persist, despite their obvious failings and excessive costs: “Far too often these programs have been designed to stimulate the construction industry, despite the rhetoric of legislative preambles couched in terms of eradicating blight, providing low- and moderate-income housing and revitalizing older neighborhoods.”<sup>9</sup> As recent reports on HUD indicate, these programs also apparently have been used to “stimulate” lawyers, Washington fixers, consultants, former government officials, “operators,” and real estate developers dependent upon government subsidies.<sup>10</sup>

Despite two decades of official commissions, studies, and expert opinion that have found production-oriented housing assistance programs to be a costly and inefficient way of helping the poor, S.565 creates and extends a costly collection of construction and rehabilitation programs.

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8 Arthur P. Solomon, *Housing the Urban Poor: A Critical Evaluation of Federal Housing Policy* (Cambridge, MA: The MIT Press, 1974), p. 1.

9 *Ibid.*, p. 7

10 Stuart Butler, “Reforming HUD to Prevent New Scandals,” Heritage Foundation, *Executive Memorandum* No. 244, July 27, 1989.

## THE HOP PROGRAM

Spearheading this new giveaway to the housing construction lobby is a provision in the Cranston-D'Amato bill's Title III. This would create the Housing Opportunity Partnership (HOP) program, costing \$3 billion per year. Requiring a 25 percent state or local matching funds, HOP would give federal funds to states and local governments to construct or rehabilitate housing targeted to low- and moderate-income households.

Like other production assistance programs, HOP would incur high costs per household assisted. Comparative costs provided in the table above suggest that the Cranston-D'Amato HOP program likely would be able to assist only between 40 percent and 50 percent of the households that otherwise could be assisted with a voucher program funded with the same amount of federal dollars. With an estimated 4 million of very low income families in need of housing assistance, S.565's redirection of government resources toward production-oriented programs would be a costly concession to the housing construction lobby.

**Helping Higher Income Households.** Other HOP features are equally bad news for the poor. During the 1980s, HUD used vouchers to target most of its low-income housing assistance to the poorest segment of society, distributing about 95 percent of its funds to households classed as having "very low" incomes (defined as an income no more than 50 percent of the area's median). The HOP plan, reversing this, would allow jurisdictions to earmark only 40 percent of the funds to those with very low incomes. Only 80 percent of the funds would have to be reserved for low-income individuals (those with incomes equal to or less than 80 percent of the area's median income). For any individual project, the very poor need not be allocated more than 20 percent of the units. Once the 80 percent quota for very low and low income families is met, the remaining 20 percent of the funds, if allocated through a home ownership program, could be given to households with much higher incomes.

Thus, because production-oriented programs are twice as costly as vouchers and because no more than 40 percent of these newly constructed units need be provided to the poorest group of households, HOP's effective assistance to very low income households could be less than a quarter of what would be received if the money were put into a voucher program.

**Tax Credit for Developers.** HOP is not the only provision of the bill that would spend money for new construction. The bill would extend permanently the Low Income Housing Tax Credit. This credit allows the developers of certain low- and moderate- income construction and rehabilitation projects to reduce their taxes by the equivalent of the present value of 70 percent of the costs associated with the project. In addition, the bill would create an Office of Affordable Housing Preservation within HUD to work with state and local governments to develop strategies to preserve existing federally

assisted housing. This office would possess additional, but unspecified, housing rehabilitation incentives to be developed during committee consideration of the Act.

## THE RENTAL CREDIT

Although the Cranston-D'Amato bill does not explicitly reject the concept of vouchers or rent certificates, it provides no new funds for them. Instead, it would authorize a new "Rental Credit" program that is voucher-like in structure, but less effective in critical ways. For instance, whereas vouchers are given to the tenant, and can be used by the eligible tenant to live wherever he or she chooses, up to 15 percent of the newly proposed rental credits can be tied, at the discretion of a local housing authority, to a particular building, project, or unit. Thus, some assisted families may be given no choice but to live where the local housing authority says they should live, thereby eliminating one of the most attractive aspects of the voucher programs – the empowerment of the poor.

With rental credits, moreover, the assisted tenants are forbidden from paying any more than "fair" market rent. This unfairly would prevent them from using their own money to supplement the rental credits to allow them to move to a neighborhood where the schools are better, the streets safer, and the quality of life generally superior.

Giving local authorities the discretion to tie rental credits to the landlord, moreover, could be used by them to prop up a failing public housing project by forcing needy households into it – or to help politically influential private developers of government-assisted projects to secure a guaranteed stream of income for their investment. Beyond limiting the mobility of the poor, and forcing them into housing units they otherwise would not want, such unit-based rental credits also could be used to provide a double subsidy to housing projects already receiving some other form of federal assistance. This, of course, would concentrate further the limited federal resources into a smaller number of projects and diminish the number of needy households that could be assisted.

## MORTGAGE CREDIT SUPPORT

S.565 contains, mainly within Title II, provisions to require the federal government to insure mortgage loans that have a higher probability of default, and to extend federal credit support to parts of the mortgage market now served by the private sector or by state and local programs.

As a consequence of depressed regional real estate markets and tax underwriting standards, claims filed by lenders against the FHA fund have jumped from \$2.9 billion in 1986 to \$4.4 billion in 1988, and are estimated to hit \$6.6 billion this year. FHA is currently losing an estimated \$40 million a month as a consequence of the weak real estate market which has increased loan defaults and cut premium income. FHA loans delinquent for more than



60 days already accounted for 6.0 percent of FHA mortgages at the beginning of 1989, compared with 5 percent in the third quarter of 1988 and just 2 percent in 1979.

According to a recent General Accounting Office (GAO) audit, FHA's reserves declined to a meager \$1.2 billion at the end of 1987, to back up \$277 billion of insurance-in-force.<sup>11</sup> FHA's condition has deteriorated since this audit. Thus it is now possible that its reserves and equity have been wiped out entirely, leaving the taxpayer liable for all future losses. HUD Secretary Jack Kemp's recent commitment to clean up the mess at FHA is an important step in the right direction, but it will take a fundamental change in policy, not just better management, to resolve the program's financial problems.

**Increasing Loan Losses.** The trouble is that the changes proposed by Cranston and D'Amato would make the situation much worse. Their bill would increase FHA's losses by permitting lower downpayments — the key cause of high defaults and losses — and larger loans. Even now, FHA insurance can be used to finance up to 103 percent of the purchase price of a house, inviting many owners to default on properties that decline in value or fail to rise in value at a sufficiently rapid rate.<sup>12</sup> Raising the FHA maximum loan limit above the current \$101,250 cap could also increase loan losses, according to one preliminary study prepared for HUD. The study contends that the new FHA loans made in excess of the cap are likely to have higher loan-to-value ratios than the typical loan written under current law, and that this will lead to a higher loss rate.<sup>13</sup>

Instead of increasing the risks to FHA, Congress should seek ways to make FHA permanently solvent. Among the necessary steps: 1) refocus FHA help on the first-time buyer, and those with modest incomes; 2) end FHA mortgage insurance for vacation homes, investor properties, and refinancings; 3) require a minimum downpayment of no lower than 5 percent of the cost of the property; and 4) increase FHA reserves to 4 percent of FHA's contingent liabilities through higher premiums, an increase in the coinsurance rate, and better underwriting standards.

**Transferring Risk.** S.565 includes other provisions that would increase the federal government's exposure to risk in the housing finance market. Example: a "credit enhancement" provision in Title III would allow HUD to guarantee pools of mortgages, secured by "affordable housing," that have been assembled by states, local governments, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the

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<sup>11</sup>Federal Housing Administration Fund's 1987 State of Financial Position." General Accounting Office (GOA/AFMD-89-3), May 1989, p. 3.

<sup>12</sup>For further details on FHA's financial status, see Ronald Utt, "S.565: Pushing the Federal Housing Administration Toward Insolvency," Heritage Foundation *Issue Bulletin*, No. 148, June 12, 1989.

<sup>13</sup>Patric H. Hendershott, "Some More than Preliminary Thoughts on the Proposed Changes in FHA (S.197)," unpublished manuscript, July 6, 1989, revised August 20, 1989.

Government National Mortgage Association. This would allow many state and local governments to transfer the financing risk of their housing programs to the federal government and taxpayers. Inasmuch as FHA and GNMA already possess considerable authority to guarantee a variety of mortgage and mortgage-backed instruments and securities, the only purpose of the open ended and unspecified nature of this new provision apparently is to allow HUD to extend the federal government's guarantee authority even deeper into the mortgage market, including mortgages and projects that fall below the underwriting standards established for existing guarantee programs. This could lead to a staggering increase in future taxpayer dollars to bail out credit programs in default.

Title II of the bill also proposes to extend until 1992 the existing authority for the Mortgage Revenue Bond (MRB) program, a popular tax shelter that temporarily survived the 1986 Tax Reform Act. MRBs are one of the most inefficient housing programs. A recent GAO study estimates that very little of each federal dollar in revenue given up through this program actually reaches the eligible family in the form of housing assistance.<sup>14</sup>

**Benefiting Investors.** Under the MRB program, states can issue bonds with interest payments exempt from all federal income taxes. This tax exemption allows the states to raise funds at a slightly lower rate, and these funds are then loaned to state residents deemed eligible for mortgage loans with subsidized interest rates. Most of the foregone tax revenue benefits well-to-do investors who buy these bonds to shelter their incomes. Much of the rest goes to pay the bond counsel, the underwriters, the state bureaucrats who administer the program, and the mortgage bankers and others who originate the loans. By the time these so-called facilitators take their cuts for services rendered, the GAO has estimated that only 20 cents to 40 cents of the lost tax dollar remain to assist the eligible family. This was before the 1986 tax bill, which raised interest rates on tax exempt bonds relative to those of taxables. Now it is estimated that MRB program benefits to the assisted households range only from 16 cents to 20 cents for every tax dollar lost. The 1986 Tax Reform Act wisely chose to terminate this program after 1989. Cranston-D'Amato would allow it to continue.

## THE BUREAUCRATIZATION OF HUD

To the extent that there is a thread running through the many financial scandals at HUD, it is that the department has mismanaged what were often ill-conceived programs. Basic information on costs, revenues, losses and accountability, and even simple financial controls, appear to be unavailable for many HUD programs and activities. As large and important a program as the FHA, for example, could not even be audited by the GAO in 1981 and

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<sup>14</sup>"Homeownership: Mortgage Bonds are Costly and Provide Little Assistance to Those in Need," General Accounting Office (GAO/RLED-88-111), March 1988.

1984 for lack of adequate record-keeping. Not until this May was the audit for 1987 completed; even this required numerous adjustments to the numbers first provided by FHA.

**Streamlined, Reformed HUD Management.** A key to an effective management is an information system that allows managers quickly to know what is going on in a program, and a clear chain of command with designated responsibilities that allows the managers to respond accordingly. Apparently no such system exists at HUD. Hundreds of career HUD managers, scores of political appointees, and the 84 congressional committees and subcommittees with oversight responsibilities apparently were unaware of the systematic corrupting of HUD projects. This suggests that the existing system of management and financial controls is severely inadequate. HUD's management system needs significant reform and streamlining to allow vital information to flow freely and swiftly. Moreover, all HUD managers must be made fully and unambiguously accountable for those programs for which they are responsible.

Although S.565 does not explicitly address the management problems that now plague HUD, the bill would change HUD's organization and management structure significantly. The trouble is that these changes would worsen the already confused management system that Secretary Kemp is attempting to reform. Specifically, S.565 would add layers of management and new bureaus to provide services already being offered by other divisions of HUD. Chief among the Cranston-D'Amato changes at HUD:

**1) The HOME Corporation.**

The legislation would create a wholly owned government corporation within HUD, called the HOME Corporation. It mainly would duplicate services already provided by other parts of HUD. According to Senators D'Amato and Cranston, the HOME Corporation would distribute money to states and localities by formula and discretion, guarantee securities backed by certain qualified mortgages, and suggest to state and local housing officials ideas to tailor housing to regional needs.

**2) Other Burdens on State and Local Governments.**

Title I of the bill would require every state and local government receiving federal housing assistance to submit, and update annually, a five-year comprehensive housing affordability strategy. Thousands of these plans would then be reviewed by HUD staff for approval or rejection. Rather than encourage innovation, this vast bureaucratic process would suffocate it. Moreover, with so many plans circulating and requiring discretionary HUD approval, the influence peddling and political cronyism stimulated likely would dwarf that which has created the current HUD mess.

The legislation would also require creation of revolving housing trust funds — essentially banking enterprises to finance certain housing programs — in every state and locality that elects to participate in the newly devised Housing Opportunity Program.

### **3) The Office of Affordable Housing Preservation.**

S.565 would establish an office of Affordable Housing Preservation, with responsibility for retaining existing affordable housing and for working with state and local governments to develop strategies to make housing more affordable for low income families. (This is currently done by the Office of Multifamily Housing Management within the Federal Housing Administration at HUD).

The establishment of this new office reflects the concern that the stock of federally assisted housing, like public housing, may decline because of deterioration, abandonment, and the end of specific subsidies. HUD is already seeking solutions to this through its existing multi-family programs. The most promising remedy of course, is vouchers.

### **4) The Assistant Secretary for Supportive Housing.**

The Cranston-D'Amato bill would create a new Assistant Secretary position at HUD. This new office would manage the existing Section 202 program for the elderly, focus on the special needs of the frail elderly, separate handicapped housing issues from those of the elderly, and develop new housing programs for the handicapped. This function is currently performed by the Office of Elderly and Assisted Housing within the Federal Housing Administration, while responsibility for the homeless is in the Office of Community Planning and Development.

Within this new office a new "Project Retrofit" would be established. It would provide money and other assistance to retrofit individual dwelling units and renovate common areas to meet the special physical needs of frail elderly persons. This now is done by the Office of Fair Housing and Equal Opportunity. A "Project Independence" would be established within the new division to provide public housing residents with greater access to employment, day care, and other services. This function currently is performed by the Office of Resident Initiatives in the Office of Public and Indian Housing.

A separate public housing development program also would be set up, to organize one-for-one replacement of any public housing unit demolished or sold to tenants. This program, which would replicate functions already performed by HUD, could deter HUD efforts to close down unsafe housing or give low-income tenants an opportunity to buy their own units by requiring that HUD replace such units with costly new construction. As noted earlier, vouchers would be a far better way of assisting displaced public housing tenants.

### **5) National Commission.**

Title VI would create a Commission on Distressed Public Housing. Members would be appointed by the President and Congress according to specific guidelines set by the bill. Among other things, this Commission would develop a strategy to improve living conditions in public housing projects by the year 2000. Consistent with the managerial and programmatic

overlap that pervades this bill, S.565 offers no guidance in the event that the Commission's national strategy conflicts with the similar strategies developed in compliance with Title I and Title IV of this legislation.

That S.565 concludes with a call for another commission, staffed largely by public officials, is illustrative of the emphasis this legislation places on bureaucratic solutions. There have been numerous housing commissions — three in this decade alone. Two of the three have recommended strongly against the kind of proposals included in this bill.

## CONCLUSION

Cranston-D'Amato's S.565 is a costly and inefficient bill that will perpetuate the management and corruption problems that have plagued HUD. What surely is worse, the bill would short-change those with the greatest need.

Currently, the bill is in the Senate Committee on Banking, Housing and Urban Affairs. The nation would be served well were it to die there.

**Short Changing the Poor.** Rather than S.565, America needs housing legislation that expands the use of vouchers and targets them to those with very low incomes. America's poor, by and large, live in substandard housing because they do not have the income to rent something better. Vouchers deal with this directly by giving the poor funds to rent better housing in better neighborhoods. Because new construction and rehabilitation programs are two to three times as costly as vouchers, any HUD funds spent on such programs cheat America's poor and homeless by reducing by two-thirds to a half the number of needy families that can be assisted. With 4 million households in need of better housing, America cannot afford to waste what money is available.

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