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PEOPLE POWER IN THE PROJECTS: HOW TENANT MANAGEMENT CAN SAVE PUBLIC HOUSING

INTRODUCTION

To most Americans, public housing is synonymous with urban blight, welfare dependency, and hopelessness. In the 1980s, however, a number of public housing projects began to attract attention because they broke the dismal pattern. In these projects, tenants – not professional managers or City Hall bureaucrats – collect the rent and manage the property. And in these projects, the streets are safe, welfare dependency is declining, and buildings are well maintained. Such tenant management of public housing even is turning some of America's once most notorious projects into outstanding self-help success stories.

Congress this year has a chance to help create many more success stories. This they could do by a series of actions making it easier for more tenants to manage their housing projects. Congress should join with Housing and Urban Development (HUD) Secretary Jack Kemp in championing resident control as a key to improved public housing.

End of the Road. The success of resident management is all the more remarkable given the sorry history of public housing. A New Deal public works program designed to provide low-cost transitional housing for the working poor, public housing gradually became the end of the road for Americans mired in poverty. Drugs, decay, and despair took over neighborhoods that had been intended to be the first rung on the ladder to economic independence.

Typically, however, some residents fought back. What began in 1973 as a last-ditch effort by a Boston tenant group to reclaim their neighborhood from

criminals has become a national movement to rebuild public housing communities through tenant empowerment. From Boston's Bromley-Heath to St. Louis's Cochran Gardens to Washington, D.C.'s Kenilworth-Parkside, tenant managers have cut crime and vandalism, improved rent collection rates, and expanded local economic opportunities in poor communities. To date, some thirteen tenant groups have signed management contracts, and 72 new resident management corporations have enrolled in a new HUD program to teach them how to reclaim their neighborhoods through successful management.

Sense of Community. What explains the phenomenal success of tenant management and ownership efforts? The residents themselves stress the role played by a strong sense of community. In addition, effective resident management requires public housing tenants obtaining effective rights of self-determination, including the ability to set and enforce standards and exercise real management control over budgets and operations.

While tenant management and ownership first gained significant political backing from conservatives, the concept now enjoys support from a bipartisan coalition. This coalition won passage in 1987 of amendments to that year's Housing and Community Development Act to foster management and eventual ownership by residents. That legislation gave federal support to the empowerment of public housing residents. This year, Congress can build on the 1987 legislation, adding momentum to the grass roots revolution in public housing projects.

This could be accomplished through:

1) Kemp's "Homeownership and Opportunity for People Everywhere" initiative, known as HOPE. This proposal, designed to promote homeownership among low-income Americans, would fund tenant management training and other kinds of technical assistance; project development and rehabilitation; capital and operating expenses; and start-up costs for local economic development.

2) Eliminating the provision of the 1987 Housing and Community Development Act that requires one-for-one replacement of tenant-purchased units with more public housing. One-for-one replacement is costly and counterproductive; the funds earmarked for replacement in the President's 1991 budget should be used instead to fund the HOPE home-ownership grant program.

3) Suspending Davis-Bacon Act requirements for tenant management groups. Davis-Bacon, a 1931 law mandating payment of inflated union wages on almost all federally assisted housing construction and rehabilitation programs, inflates costs by 25 percent, and requires expensive government monitoring of compliance. Savings from suspending Davis-Bacon should also be used to underwrite the cost of HOPE grants.

4) Capping public housing rents at their fair market value. Currently, all leaseholders are assessed 30 percent of their income in rent. This forces many

two-parent and working families to seek housing elsewhere. A rent ceiling would allow economically successful families to remain in their neighborhoods and even to save for eventual homeownership.

The well-documented record of tenant-managed public housing in combating crime and drugs, reducing teen pregnancy rates, increasing employment and rebuilding families and neighborhoods provides, by itself, ample justification for federal financial support.

What also should make tenant management attractive to policy makers is its cost effectiveness. At just one housing project – Washington, D.C.'s Kenilworth-Parkside – accounting firms estimate tenant management will save the local government \$5.7 million over ten years, and the federal government \$26 million over 40 years.

The ultimate goal of federal anti-poverty policy should be to help the poor eventually to escape poverty completely. Resident management, and eventually ownership, of public housing is a proven way of achieving that goal.

PUBLIC HOUSING: FROM DREAM TO NIGHTMARE

Authority for constructing the nation's first federally subsidized housing was provided by the Housing Act of 1937, hastily passed in the early months of Franklin Roosevelt's second term. At its inception, public housing was conceived as a means of employing construction workers and providing low-cost transitional shelter for families of the working poor. While construction was underwritten by long-term, low-interest federal loans, the units were owned and operated by local public housing authorities, since then known as PHAs. These municipal management agencies operated on the private sector model, carefully screening residents and setting high standards of conduct.

During the 1950s and 1960s, a number of factors profoundly changed the public housing population. Middle class flight from the inner cities coincided with "urban renewal" programs, which eradicated private low-income housing to clear the way for downtown commercial development. As the working poor moved out of public housing and into the suburbs, public housing units increasingly became occupied by the displaced and destitute: welfare recipients, single mothers, and the unemployed. Concerned that lower-income tenants would be unable to pay set rents, Congress in the early 1970s passed the Brooke amendments, which limited tenant contributions toward rent to 25 percent of their income; this later was increased to 30 percent.

Acting Like Bureaucracies. When the average tenant's income fell, so did rental income to the PHAs. Meanwhile, upkeep costs for aging units steadily rose, catching PHAs in a tightening financial noose. In response, Congress began giving PHAs ever-larger operating subsidies, currently almost \$1.8 billion annually. Once dependent on subsidies, predictably the PHAs acted less and less like businesses and increasingly like bureaucracies. PHAs' new guaranteed income ended their reliance on tenant rents, since federal subsidies automatically make up the difference between operating costs and rent-

al income. The fact that these subsidies are cut when a PHA trims its expenses in effect gives the PHAs ever fewer incentives to manage developments efficiently. As a result, rent collection came to be viewed as a nuisance, and screening applicants a waste of time.

10 Percent Uninhabitable. Today there are approximately 1.4 million public housing units in America, administered by 3,300 PHAs. In addition to operating subsidies, HUD annually spends over \$1.7 billion on other costs, including modernization and new construction. This makes the total federal public housing cost \$3.5 billion per year. And although 111,555 new units were completed in the first term of the Reagan Administration (almost three times as many as under Jimmy Carter), one out of ten existing units is uninhabitable; to repair these would cost from \$10 billion to \$40 billion.

Without efficient management, modern large public housing projects soon became characterized by appalling living conditions and social problems. Residents now routinely wrestle with spiraling teen pregnancy rates, heavy welfare dependency, and widespread drug use and accompanying violence. Far from providing "decent housing for people of meager incomes,"¹ as Roosevelt's presidential campaign platform called for in 1936, today's publicly managed tenements are, says *The New Republic*, "monuments to centralized planning, breeding grounds for social pathology and impediments to racial integration."²

THE TENANT MANAGEMENT TURNAROUND

In 1972, St. Louis dramatically tried to resolve its public housing crisis literally by destroying it: with an almost incredulous nation watching, St. Louis dynamited and otherwise demolished the 43-building Pruitt-Igoe development. An award-winning architectural showpiece built and opened with great fanfare just fifteen years earlier, the complex had decayed into a sprawling refuge for criminals, prostitutes, and drug pushers.

Yet just one year after St. Louis razed its once showpiece housing project, a group of tenants at the Bromley-Heath project, in Boston's Jamaica Plain, embarked on a different course. They decided to reclaim their community from the criminals. When maintenance crews from the Boston Housing Authority, out of fear, refused to venture into the complex, Mildred Hailey organized her fellow residents to patch leaky roofs, repair boilers and replace over 4,000 broken windows. Hailey and her neighbors became the nation's first independent tenant management group. Soon they began collecting rent, screening tenants, and assuming other responsibilities for running the project. Then they turned to economic revitalization.

1 From the Democratic Party Presidential Platform, 1936, cited in Irving Welfeld, *Where We Live* (New York: Simon & Schuster, 1988), p. 159.

2 "Abolish HUD" [editorial], *The New Republic*, August 21, 1989.

The result: Bromley-Heath today is not just a showcase housing development; it also boasts its own job-training program, on-site employment for residents at a day-care center and private security patrol, and a health clinic staffed by community volunteers.

Since the tenant revolution began in Boston, Bromley-Heath's successes have been replicated in projects across the nation. Examples:

St. Louis, Missouri. A few miles from Pruitt-Igoe's rubble, Cochran Gardens has been transformed from, as the *New York Times* reported, "a squalid den for narcotics dealers"³ where garbage was flung from windows and residents urinated in the hallways, into "a model of what tenant-managed public housing can be."⁴ Bertha Gilkey, head of the 14-year-old tenant management corporation, says she first organized residents "to build accountability and standards of self-esteem" by scheduling clean-up days and painting squads to restore run-down units in the vandal-plagued project. According to Valdus Turner, who heads Cochran's summer youth employment program, "the housing authority had just said, 'we're through with it'...we had to just get in there and do it ourselves because no one else would." Since then, Cochran Gardens has done more than simply control crime, renovate buildings, and enforce high standards of behavior. The tenant management corporation has employed over 250 residents in a \$400,000 a year catering business, a janitorial service, a cable television installation company, and a health clinic, which serves the area's homeless as well as project residents. Resident volunteers deliver hot meals to elderly tenants at home, and a van pool owned by Cochran's resident management corporation transports residents to jobs and neighborhood stores. During a recent visit, HUD Secretary Kemp inspected Cochran's newest child care center, which at one time was a vacant unit used as a drug dealers' hideout.

Cleveland, Ohio. In 1982, residents of this city's Lakeview project banded together in "parents' patrols" to stop drug dealers from harassing school-children. Soon the patrols took on new challenges: working with police to apprehend local criminals, diligently reporting plumbing and heating problems and pestering maintenance crews to fix them. When tenant Lena Jackson in 1983 proposed taking over management of Lakeview, she persuaded neighbors to join her on a fourteen-hour trip by rented van to St. Louis to see tenant management in action at Cochran Gardens. Jackson's group returned home determined to gain control of their project. They did so in 1985, obtaining full management rights. They immediately put tenants to work in round-the-clock security details and renovation crews. Crime plummeted, and life at Lakeview improved as the management team organized tenants to enforce residency rules and rent collections.

3 Isabel Wickerson, "From Squalor to Showcase: How a Group of Tenants Won Out," *New York Times*, June 11, 1988.

4 Michael Bosc, "Beating Blight in St. Louis," *U.S. News & World Report*, August 4, 1986.

Chicago, Illinois. The contrast between public housing managed by bureaucrats and by tenants is nowhere more dramatic than at this city's notorious Cabrini-Green project. With a reputation as one of America's most dangerous housing developments, Cabrini long has been a target for unsuccessful reforms. Nothing worked until 1989. Then, when gunfights in the lobby of the building at 714 Division Street became a nightly ordeal, residents at neighboring 1230 North Burling Street decided to take matters — and management — into their own hands. In the one year that residents have begun to manage their fifteen-story building, the transformation is startling. At 714 Division Street, the bullet-pocked lobby is dark and usually empty; hallways and elevators reek with the odor of urine, and the stairways are dark galleries for the graffiti of rival gangs; in the dark and trash-filled laundry rooms on each floor, muggers and rapists often lurk, awaiting passing residents. Across the parking lot at 1230 North Burling Street, the lobby is painted, decorated with bunting and full of residents even in the middle of the day. A squad of four security guards admits visitors and residents. While dilapidated, the floors, halls, and stairways are clean and freshly painted. A fifteen-member beautification committee has planted 42 rosebushes around the building, and meets monthly to plan other activities. Residents have held bake sales and chicken dinners to raise money to open a candy store in the building so that children need not venture to the corner store. Current plans call for a first-floor weight room and an activity center with a television and VCR so that residents can screen anti-drug videos.

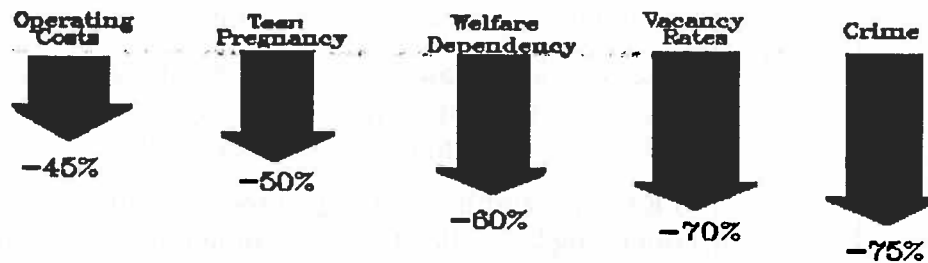
Washington, D.C. The transformation wrought by tenant management and ownership at the 464-unit Kenilworth-Parkside project in Washington, D.C., moved one newsmagazine to declare: "Something close to a miracle has occurred."⁵ By the time a tenant committee, led by former welfare mother Kimi Gray, signed a contract to manage Kenilworth in 1982, many residents had been without heat or hot water for two years or more. At that time, 85 percent of the residents (mostly single women with children) were welfare-dependent and lived in fear of the drug pushers and pimps who roamed the halls at will. Four years later, crime had fallen by 75 percent, welfare dependency had been reduced by 60 percent, and the number of teenage pregnancies had been halved. In addition, according to an audit by the accounting firm of Coopers & Lybrand, rent collections had increased 77 percent, operating costs had been cut by 45 percent, and the vacancy rate had fallen from 18 percent to just 5.4 percent.⁶ Coopers & Lybrand also found that "at least 132 residents were removed from public assistance dependency through the direct intervention" of the resident management corporation, which also has helped find jobs for 30 more. Many of the jobs went to absentee fathers who since have returned to their families. In the fifteen years before tenant

5 Art Levine, "When Tenants Take Over," *U.S. News & World Report*, August 4, 1986.

6 *Cost Benefit Analysis of the Kenilworth-Parkside Public Housing Resident Management Corporation* (Rosalinde R. Inge, Project Director). Unpublished study by Coopers & Lybrand, Washington, D.C., for the National Center for Neighborhood Enterprise, May 9, 1986.

The Accomplishments of Tenant Management (Kenilworth-Parkside, 1982-1986)

REDUCTION IN



Source: National Center for Neighborhood Enterprise.

management, only two residents had enrolled in college; but the project's College Here We Come program, which gives guidance and encouragement to young residents, has sent almost 600 residents to universities, 75 percent of whom already have graduated. Future development plans for Kenilworth include a commute program transporting residents to suburban jobs in a fleet of 20 buses. By 1992, according to Coopers & Lybrand, resident management not only will have expanded the local economy, but will have saved the District of Columbia \$5.7 million in reduced subsidies and by lowering crime and welfare dependency rates.⁷

Across America, thirteen resident management corporations (RMCs) are operating public housing developments. An additional 72 are enrolled in HUD-sponsored management training and are receiving technical assistance in property management and community development from private groups under contract to HUD. HUD officials note that four tenant groups apply for every place available in the program.

⁷ *Ibid.*

10 STEPS TO SUCCESSFUL TENANT MANAGEMENT

- 1) **Meet with fellow tenants** interested in improving living conditions.
- 2) **Survey fellow residents** to gauge support for resident management and to pinpoint problems like drug activity and maintenance backlogs for immediate action.
- 3) **Learn what it takes to manage public housing.** Visit successful resident-managed developments; work with national resident management associations.
- 4) **Earn the Public Housing Authority's support** by contacting key officials and keeping them informed.
- 5) **Organize a Resident Management Council (RMC).** Hire a professional resident management specialist to assist with incorporation*; establish a board of residents; organize committees to address security, maintenance, child care and other needs.
- 6) **Educate and motivate residents** through regular meetings, newsletters and RMC-sponsored activities.
- 7) **Prepare for conversion** from public to resident management by enrolling in management training.*
- 8) **Enter a Dual Management Contract** with the public housing authority to gradually phase management responsibility into the hands of residents.
- 9) **Assume full management** from the Public Housing Authority after completing dual management. If dual management is unfeasible, resident groups can demand immediate management rights. However, dual management can ease the transition.
- 10) **Stimulate economic development.** Examples: hire residents through the RMC; encourage local entrepreneurship; prepare residents for careers through job training and education; "reverse-commute" residents to jobs in suburbs.

* Sources of funding: HUD; local/state government housing agencies; corporations; foundations. Many successful RMCs raise start-up funds by organizing dinners, bake sales and similar events.

Adapted from David Caprara and Bill Alexander, *Empowering Residents of Public Housing*, National Center for Neighborhood Enterprise 1989.

Heritage DataChart

The tenant-led groups share an approach with at least three common elements:

1) Hard work at the outset to earn the trust and cooperation of fellow residents.

Tenant groups often organize to tackle the toughest problems in a project, and this tends to cement the community support needed for effective housing management. Shutting open-air drug markets and undertaking much-needed maintenance can be dangerous, messy work, but seems to be the only way to begin the process of restoring community pride and convincing City Hall skeptics that resident managers are serious about taking responsibility. Ensuring community support, says Irving Welfeld, a senior policy analyst at HUD, means establishing the role of each tenant as “a consumer to be offered choices, rather than a supplicant who is assigned space.”⁸

2) Tough standards, strictly enforced.

“Unless everyone plays by the rules,” says Cochran Gardens’ Bertha Gilkey, “it’s not long before nobody does.” The rules by which residents play, tenant management groups have found, should emphasize personal responsibility and respect for others and their property. The vast majority of tenants appreciate the rewards of compliance. Explains Robert Woodson, president of the National Center for Neighborhood Enterprise, “When people are given responsibility, they can set standards for themselves.” Most tenant-run projects appoint building captains, hall monitors, and grounds inspectors who look for anti-social behavior and do not hesitate to fine violators. When necessary, incorrigible troublemakers are evicted.

Tenant leaders stress that drastic measures are sometimes necessary to rid projects of criminals. The power to evict indeed seems essential to the success of tenant-managed projects. Tenant-management programs that grant only limited power to punish scofflaws generally have failed. Experience teaches that most tenants will agree with and conform to tough expectations if they emanate from community leaders; Kenilworth-Parkside has had to evict just four tenants in over eight years. Tenant leaders stress that the alternative to evicting a crack dealer is to allow him to victimize his entire community.

3) Broad-based economic development.

Long-term community revitalization means putting residents to work and reinvesting in the local economy. When tenant managers hire project residents to maintain the project, they gain an employee with a personal stake in their own performance. “When my maintenance man doesn’t fix the boiler in the winters,” says Kenilworth’s Kimi Gray, “he gets cold too.” City bureaucrats and even private contractors lack such incentive. Working for one’s neighbors strengthens ties to family and community. And as locally

8 Welfeld, *op.cit.*, p.258.

based enterprises such as day care and janitorial services grow, they provide management expertise, accounting experience and other marketable skills.

THE OWNERSHIP OPTION

During the mid-1980s, a number of tenant management groups worked with Jack Kemp, then a Republican member of the House of Representatives from New York, and D.C. Delegate Walter Fauntroy, to craft tenant management legislation that became law as a series of amendments to the 1987 Housing and Community Development Act. Among other things, the 1987 legislation provides financial incentives for new small businesses, sets aside \$5 million for resident-management training, and grants qualified tenant groups the right to demand management contracts which previously had been awarded at the discretion of local PHAs. Most important, the Kemp-Fauntroy legislation outlined "right to buy" procedures that will allow residents to purchase their projects after three years of successful resident management.⁹

Tenant groups and the congressional sponsors of right-to-buy legislation argue that ownership is the appropriate next step in the resident management revolution, and the key to individual economic and social empowerment. They maintain that ownership gives residents a powerful stake in developing and stabilizing their communities.

Under the 1987 law, resident groups that purchase their developments may receive HUD funds for unit rehabilitation and appropriate training and technical assistance. As a condition of the sale, units purchased by the RMC must be replaced one for one with either newly constructed or purchased public housing, or by rehabilitation of vacant units. Furthermore, the law mandates that units may be sold by the RMC only to lower income families, and that families who purchase units may resell them only to other lower income families, back to the RMC, or to the public housing authority. On resale, profit is limited to the owner's direct contribution to the current value of the property and the value of any improvements made. In addition, profit will include an adjustment for inflation at a rate set by HUD.

Working Toward Ownership. Washington, D.C.'s Kenilworth-Parkside RMC became the first in the nation to apply for ownership under the legislation. On October 25, 1988, the tenants received conditional approval for their purchase of Kenilworth. Extensive rehabilitation of the units, begun in the early 1980s prior to tenant management, will be completed within five to ten years. At that time, Kenilworth will become a cooperative, and residents will be able to purchase shares in units for as little as \$10,000. Despite relatively high per-unit rehabilitation costs and a comprehensive package of mortgage

9 "Housing and Community Development Act of 1987," H 12046, *Congressional Record*, Vol. 133, No. 205.

assistance provided by HUD and the District of Columbia, a study by a major accounting firm finds that the sale of Kenilworth-Parkside will save the federal government \$26 million in the next 40 years.¹⁰

It is not likely all RMCs will choose to exercise the right to buy their developments from local public housing authorities; where they do, not all residents may be willing or able to purchase units themselves. But the option of homeownership and its many benefits should be available to residents of public housing, as it is to millions of their fellow Americans.

ANSWERING THE CRITICS OF TENANT EMPOWERMENT

Despite its successes and apparent potential, the tenant management and ownership movement has detractors. Some are politicians who make the curiously elitist and patronizing argument that tenant management and ownership responsibilities will overwhelm residents. Others are bureaucrats and housing officials whose authority is challenged. Others still represent labor unions, whose members risk losing lucrative maintenance and rehabilitation contracts.

Critics of tenant management and ownership cite several objections. Among them:

Argument #1: Public housing tenants are not ready or able to take responsibility. At least one observer has noted that converting public housing to tenant management is not nearly so difficult as convincing politicians that it can be done.¹¹ Indeed, the success of tenant-managed projects suggests that even those Americans burdened with low incomes, little education, and a lifetime of welfare dependency can transform their lives and their neighborhoods – with the proper incentives and guidance. Tenant management leads to economic development, which creates jobs, which raises incomes and, in some cases, which lifts residents into the ranks of the middle class. Given this experience, it is puzzling that even opponents of tenant management can call the ideal of offering public housing tenants the opportunity for home ownership “a cruel hoax on the poor.” Yet a spokesman for the largest PHAs has done just that.¹² In response, Bertha Gilkey asks: “Housing authorities say, ‘We just don’t think you are ready yet.’ Now, tell me the difference between that and the philosophy of the South African government?”¹³

10 *Economic and Financial Analysis of Kenilworth-Parkside Home Ownership*. Unpublished audit by Laventhol and Horwath, Cleveland, for the National Center for Neighborhood Enterprise, September 1989.

11 Jerome Cramer, “Turning Public Housing Over to Resident Owners,” *TIME*, December 12, 1988.

12 Bob McKay, executive director of the Council of Large Public Housing Authorities, quoted by Bill Turque, “When Tenants Take Charge,” *Newsweek*, November 27, 1989.

13 Bertha Gilkey, quoted by Rita McWilliams, “Revolution in the Projects,” *Reason*, July 1988.

Argument #2: Tenant management can succeed only where there are charismatic leaders like Bertha Gilkey, Kimi Gray, and Mildred Hailey. As with any movement, tenant management and ownership requires trailblazers. But while a couple of leaders have attracted press attention, another 72 tenant groups across the nation are enrolled in management-training programs; by year's end, HUD officials predict there will be over 100. For every tenant management superstar, there are many successful groups with less flamboyant leaders.¹⁴

Argument #3: Tenant ownership proposals are too expensive. Critics point to the expense of preparing Kenilworth-Parkside for cooperative conversion, where per-unit rehabilitation costs may run as high as \$53,886.¹⁵ This indicates, they argue, that ownership is impossible without enormous capital expense, rendering the whole strategy uneconomical. Yet the culprit is not the tenant management team but the legendary inefficiency of the District of Columbia's Department of Public and Assisted Housing (DPAH). "The cost per unit is so high," writes journalist David Osborne in the *Washington Post*, "mainly because DPAH manages renovation so ham-handedly."¹⁶ Osborne and others find DPAH plagued by inept management, a labyrinthine bureaucracy, and contractors who routinely bid on renovations at eight or ten times the national average.¹⁷ In an internal audit which documented the District's mishandling of the Kenilworth project, HUD called on DPAH to reimburse the federal treasury for \$8.8 million in federal funds squandered over twelve years.¹⁸

Complaints about costs also overlook the "ripple effect" of tenant management and ownership — savings to local governments through job creation and reduced crime and welfare rates. The Kenilworth conversion, of course, also will save the federal government \$26 million in 40 years, through reduced federal subsidy requirements.¹⁹ At other projects, where conversion costs are expected to average \$10,000, a federal investment in tenant management and ownership is likely to produce an even greater return.

Argument #4: Tenant management fails to address the real problem: a chronic shortage of low-income housing. Critics say the need for low-income housing should be addressed by new construction, pointing to statistics indicating a nationwide shortage of housing for the poor. This criticism is seriously flawed. For one thing, almost 100,000 public housing units are cur-

14 See, for example, Jonetta Rose Barras, "Tenant Ownership Transforms Project," *The Washington Times*, August 8, 1989; Chris Spolar, "The Tenants Who Fought Back," *Washington Post*, December 8, 1989.

15 "Planned Kenilworth-Parkside Sale Raises Issues for Further Transactions," General Accounting Office RCED-90-26, December 1989.

16 David Osborne, "Irresistible Force: Kimi Gray and the Miracle of Kenilworth-Parkside," *Washington Post Magazine*, July 30, 1989.

17 *Ibid.*

18 Chris Spolar, "HUD Audit Cites 'Wasteful Use' of funds in D.C.," *Washington Post*, January 11, 1990.

19 *Economic and Financial Analysis of Kenilworth-Parkside Homeownership*, *op. cit.*

rently vacant. For another, and much more important, tenant management and ownership adds to the low-income housing stock. Tenant managers already have rehabilitated hundreds of units that otherwise would have remained boarded. Example: after four years of resident management at the 464-unit Kenilworth-Parkside project, the vacancy rate has dropped from 18 percent to under 6 percent. Moreover, redevelopment firms created by many tenant-managed communities have spawned additional low-income housing in the private sector. Example: St. Louis's Cochran Gardens and Carr Square projects have helped to develop 1,300 units of new affordable housing in partnership with private investors. Kenilworth-Parkside currently is negotiating to buy and renovate neighboring buildings to house college students and the elderly, and Kimi Gray dreams of building condominiums nearby, so upwardly mobile residents can move out of public housing without leaving the neighborhood.

Argument #5: Resale restrictions will eliminate tenants' incentives to buy their units. Some critics charge that statutory restrictions on resale of tenant-owned units ultimately will doom tenant management and ownership efforts. The argument is that requiring resale of units to either low-income families, the resident management corporation or the public housing authority at a below-market price eliminates ownership incentives. Tenant managers themselves disagree. Their reasoning: unlike more affluent home buyers, public housing tenants see their units not so much as investments, but as routes to economic and personal independence. The profits allowed on resale by the 1987 legislation include the value of owner equity and improvements plus an inflation adjustment set by HUD. Most tenant managers view this as an adequate return. The only individuals actually concerned about resale restrictions appear to be a few scholars and journalists, not tenant managers themselves.

HOW CONGRESS CAN ASSIST THE TENANT EMPOWERMENT MOVEMENT

The Bush Administration's Homeownership and Opportunity for People Everywhere (HOPE) housing initiative includes a three-year public housing homeownership grant program that builds on the tenant management and ownership provisions of the 1987 Housing and Community Development Act. HOPE calls for \$756 million for technical assistance to resident groups, including management training; for project development, rehabilitation and conversion of units; capital and operating reserve funding; and seed capital for economic development.

The HOPE homeownership grant package is a promising start. More could be done to empower more of America's poor tenants by making them managers of their housing projects.

An important step would be removal of the statutory requirement that every unit purchased by tenants be replaced with yet more public housing.

Unfounded Fears. The “one-for-one” replacement provision of the 1987 Housing and Community Development Act was a concession to politicians who feared tenant takeovers would remove from the public housing stock units available to low-income Americans. History proves these fears unfounded. In fact, tenant management groups increase the number of units available in two ways: they move quickly to rehabilitate once-uninhabitable units to increase the project’s rental income, and they often invest in the construction of new affordable housing in their neighborhoods.

This costly one-for-one replacement requirement acts as a brake on the pace of tenant purchases. According to HUD, one-for-one replacement will cost HUD \$250 million in 1991 alone. The funds that would finance the one-for-one replacement of units should be applied to the HOPE tenant management grant program.

A second step toward empowering more of America’s poor tenants would be selective suspension of the costly Davis-Bacon Act. A union-protection measure passed in 1931, Davis-Bacon requires the payment of what is called the “prevailing wage” to all laborers on construction projects receiving more than \$2,000 in federal funding. In practice, this means that tenant managers must pay what almost always are the highest wages to residents and contractors employed in federally financed unit rehabilitation. This, obviously, drives up the cost of rehabilitation. Davis-Bacon also requires employers and employees to follow a complicated filing procedure which is time-consuming and expensive for contractors and for the federal government, which must monitor compliance. Administering Davis-Bacon costs the government \$12 million a year, and adds as much as \$1 billion annually to construction expenses nationwide.²⁰ Tenant leaders like Bertha Gilkey estimate that Davis-Bacon compliance inflates the costs of converting public housing to tenant ownership by at least 25 percent. To prevent this, Davis-Bacon requirements at tenant-managed developments should be suspended.

Offsetting Expenditures. The savings realized by eliminating one-for-one replacement and suspending Davis-Bacon at tenant-managed developments would offset much, if not most, of the HOPE grant expenditures contemplated in George Bush’s fiscal 1991 budget.

Tenant management further would be encouraged by setting a “fair market value” rent ceiling at tenant-managed developments. This is proposed in the Public Housing Family Stability Act (S. 509), authored by Senator Dan Coats, the Indiana Republican. The current system simply sets unit rents at 30 percent of tenant income. While this charges very low income tenants bargain rents, it drives up rents for many two-parent and working families who often move out of public housing when their expanding incomes raise their rents above the levels in comparable privately owned units. A rent ceiling, set at the fair market rent for individual units, would allow families who have

20 Patrick Barry, “Congress’s Deconstruction Theory,” *The Washington Monthly*, January 1990, p. 10.

climbed out of poverty to remain in tenant-managed housing. There they could continue serving as role models for economic success and would reinvest in the community. Families benefiting from the rent ceiling could also begin to save for down payments on their units at developments with resident ownership programs.

CONCLUSION

The grass roots movement toward tenant management and ownership of public housing is breaking the too typical cycle of crime, poverty and welfare dependency in poor communities across America.

In the 1960s, bureaucrats and social workers waged the War of Poverty by creating a "poverty industry" to tend to the nation's poor. This approach only fostered dependence on government programs over which the poor had no control. In a growing number of public housing projects, however, residents have found that the path to independence lies in gaining an ownership stake in their communities. Resident management groups gain self-respect by caring for their homes and neighborhoods, by enforcing high community standards, and by employing residents in local businesses. Resident management equips the poor to fight the War on Poverty on their own behalf.

Removing Barriers. Seventeen years of success have won bipartisan support for the resident management and ownership movement. Three years ago, federal legislation granted tenants the right to manage their developments, and the opportunity to own them. Today, HUD Secretary Kemp, echoing the public housing residents in cities across America, argues correctly that resident management and ownership of public housing is crucial to the revival of America's inner cities.

Congress has the opportunity to ally itself with the tenant empowerment movement by recognizing tenant management's past successes and removing barriers to greater achievements in the future.

John Scanlon
Policy Analyst

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