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WHY KEMP'S HOPE PROGRAM SHOULD BE FUNDED

INTRODUCTION

The Senate this week likely will consider an emergency supplemental funding measure covering various housing programs. The House of Representatives last week voted down a supplemental appropriation intended to fund the two new central programs of the 1990 Cranston-Gonzalez National Affordable Housing Act, primarily out of funds previously authorized for expanding the construction of public housing. These programs are Homeownership and Opportunity for People Everywhere, better known as HOPE, and HOME, which is the name House and Senate conferees last year gave to a package of housing proposals. HOPE, among other things, would provide grants to help low-income tenant and nonprofit organizations to manage and eventually own their homes from the existing stock. HOME provides block grants to states and localities to build, rehabilitate, and acquire low-income rental housing, and resembles the public housing program.

Reinforcing Dependency. The refusal of the House to fund these programs, especially HOPE, represents a capitulation to those who are obsessed with building more public housing rather than housing the poor and fostering independence. The House's decision, if allowed to stand by the Senate, would reinforce the abject dependency so prevalent in urban public housing projects, while lining the pockets of public housing managers and developers.

The Senate should not make the same mistake. It should fully fund HOPE at the Administration-requested level of \$287 million, and prevent attempts to defund it. Failure to do so will only perpetuate poverty and dependency in America's cities.

HOW HOPE HELPS THE POOR

HOPE would provide assistance to low-income residents of public and other subsidized housing to help them manage or own their apartments, and would assist the homeless and frail elderly to live independently. The program in addition would improve the chances for low-income women with children to leave the public dole by providing them with housing vouchers. Vouchers are rental assistance, given directly to families, that can be applied toward rent in any rental dwelling in the country. Public housing, by contrast, ties the subsidy to a particular apartment in a project (often with a waiting list to receive a unit) rather than to an individual household, and so eliminates the household's incentive to go off welfare and find full-time work to improve its housing. Public housing tenants also have little incentive to shop around for housing bargains because leaving a project means they would risk losing their apartment and the chance to re-enter the public housing system.

The Bush Administration proposal before the House was to fund HOPE and HOME through a fiscal year 1991 supplemental appropriation of \$787 million to its fiscal 1992 budget request of \$25.5 billion for the Department of Housing and Urban Development (HUD). Of the supplemental funding, \$500 million would go to HOME, while the remaining \$287 million would be distributed to the following HOPE programs:

Tenant assistance (\$155 million). This provides homeownership grants to tenant and nonprofit organizations to purchase public housing, subsidized private-owned apartments, and single-family homes.

Shelter Plus Care (\$122 million). This provides funds for chronically mentally ill and drug-abusing homeless, and would link federal Section 8 housing rent certificates to the provision of certain social services. These certificates would be available to local governments and non-profit health and other non-profit social service providers to house the homeless in single-room occupancy (SRO) dwellings and other privately owned apartments. Each dollar of federal housing assistance would be matched by a dollar of state and local services, such as mental health care, drug treatment, education, and job training.

Elderly Independence (\$10 million). This provides housing vouchers to frail, low-income elderly households, and supplemental services to recipients that include helping them eat, bathe, and dress.

The funds for these HOME and HOPE activities would be made available through a \$500 million rescission (that is, the voiding of previously voted budgetary authority) in public housing new construction, and a \$287 million rescission in Nehemiah grants, rental rehabilitation grants, Section 312 rehabilitation loans, urban homesteading, and congregate housing services, all except the last already slated for termination in fiscal 1992. HOPE housing assistance and HOME funding levels for fiscal 1992 would be \$855 million and \$2 billion, respectively.

The House not only rejected this plan, but it also approved an additional \$75 million for public housing operating subsidies on top of the over \$2 billion already approved for fiscal 1991. The House thus has served notice that it seeks to undermine even modest efforts to depart from policies that have caused millions of Americans to remain indefinitely in public housing squalor.

Misrepresenting Statements. Public housing advocates are incensed over what they view as a “retreat” from the intent of the Cranston-Gonzalez legislation. A coalition of 46 organizations representing real estate, public housing, and homeless advocacy interests opposes the Administration’s sensible shift in program resources. Mary Ann Russ, Executive Director of the Council of Large Public Housing Authorities (CLPHA), one of these organizations, charges that HUD is attempting to take away money to which the housing authorities are entitled, arguing that neither HOME nor HOPE will reach the lowest income tenants.¹ In addition, the House Budget Committee’s Democratic staff recently released a report calling the HOPE’s aim of selling public housing to their tenants as “misguided,” on the grounds that it fails to address the “nation’s vast unmet housing needs and pressing management needs.”²

Such statements grossly misrepresent the issue. Even without the \$500 million rescission, budgetary authority already exists to construct an additional 8,900 public housing units in fiscal 1991. Moreover, Congress has reserved funding from prior fiscal years for some 18,900 more public housing units yet to be built. Another 8,860 public housing units already are under construction. Thus, money is available for almost 37,000 new public housing units to be built and opened for occupancy.

High Vacancy Rates. Even more significant, approximately 100,000 apartments in the 1.4 million-unit public housing system currently are vacant. This represents a vacancy rate of over 7 percent. Vacancies in some public housing systems are far higher than this average. A HUD audit last fall, for example, revealed that 41 percent of Detroit’s available public housing units are vacant, despite some 1,300 eligible households on the housing authority’s waiting list. Many projects in Detroit are infested with rats and cockroaches, and the buildings continue to have broken elevators and malfunctioning heating systems despite widespread tenant complaints.³ High vacancy rates in fact occur due to the very problems that HOPE squarely addresses: inadequate tenant screening and oversight, few financial incentives for maintenance, a lack of job opportunities on or near project grounds, and cumbersome, expensive eviction proceedings for vandals and criminals.

1 Quoted in "Fiscal 1992 HUD Budget Sets Back Last Year's Efforts, Groups Say," *Housing and Development Reporter*, February 18, 1991, p. 860.

2 Ann Mariano, "Closing the Door on Public Housing?" *Washington Post*, March 6, 1991.

3 See "Public Housing in Detroit Criticized After HUD Tour," *Washington Post*, March 9, 1991.

Large city housing authorities too often have proved unable to control the crime and other factors that cause units to become vacant and then deteriorate. Thus it makes little sense for Congress to put even more power in the hands of these authorities. By contrast, HOPE would change the social dynamics of projects by empowering tenants to have greater control over their neighborhoods. The results of such tenant control are impressive. In such projects as Kenilworth-Parkside (Washington, D.C.), Bromley-Heath (Boston), Cochran Gardens (St. Louis), and elsewhere, once blighted and crime-ridden public housing projects, previously managed and owned by housing authorities, have been transformed by tenant management.

Tenant Transformation. The reason why tenant ownership and management works is because it gives public housing residents a stake in improving and maintaining their premises that traditional public housing management does not. In particular, tenant control over budgets and operations leads to greater responsiveness to tenant needs and a greater sense of community pride and power among residents. Example: Cochran Gardens formerly had been “a squalid den for narcotics dealers,” but is now “a model of what tenant-managed public housing can be.”⁴ Example: Chicago’s Cabrini-Green had degenerated into a community eyesore, yet after some of its tenants acquired the right to manage one of the buildings, within one year they had transformed their dilapidated, crime-plagued building into a clean, well-lighted, crime-free oasis.

This strategy also results in a long-run cost-savings. At Kenilworth-Parkside, for example, tenant management led to dramatically rising rent receipts as well as dramatically falling crime rates. Tenant management and ownership is projected over the next 40 years to save the federal government \$26 million, and over the next ten years to save the District of Columbia local government \$5.7 million.⁵

Yet with about 137,000 dwelling units either vacant, under construction, or scheduled to be built, and with the success of tenant control expanded through HOPE, the House voted no money to HOPE and decided instead to expand the conventional public housing system – a boon only to the interest groups and construction firms with a stake in the largely dismal system.

4 John Scanlon, "People Power in the Projects: How Tenant Management Can Save Public Housing," Heritage Foundation *Background* No. 758, March 8, 1990, pp. 4-7.

5 Tenants, who had been managing Kenilworth-Parkside since 1982, took over ownership in September 1990.

WHY HOPE SHOULD BE FUNDED

Congressional advocates of public housing demean the importance of HOPE by claiming there exists an urgent national crisis in housing affordability which HOPE does not address. For example, Representative Charles E. Schumer, the New York Democrat, and a major ally of the public housing lobby, argued recently that HOPE is “not a substitute for the lack of affordable housing.”⁶

This and statements in a similar vein are misleading for a number of reasons.

First, HOPE was not designed to be a housing cost reduction program, nor could it function as such with proposed funding levels for its housing programs for fiscal years 1991 and 1992 of \$155 million and \$855 million, respectively. This is money designed to augment rather than replace public housing operating subsidies.

Second, the “lack of affordable housing” claim is far more hype than reality. Housing prices throughout much of America, especially in the most expensive metropolitan markets, have been in decline since late 1989 in real and on occasion in nominal dollars.⁷ Rents likewise have declined, and are quite reasonable for the low end of the rental market.⁸ In 1989, subsidized poor households paid a median gross rent (including utilities) of \$188; unsubsidized poor households paid a median gross rent of \$360.⁹ Yet even without a subsidy, a great many low-income full-time employees are able to find affordable rental housing.

Third, public housing is a very inefficient way of housing the poor. From the time a public housing project is proposed to the time it is open for occupancy normally takes about five years to complete. Housing vouchers, on the other hand, typically enable a low-income tenant to find adequate housing within five months. Since public housing supporters speak in the present tense of a emergency national housing shortage, it is curious that they prefer a strategy to provide housing that would not be available until at least the middle of the decade. Moreover, with vouchers the federal government would be able to house far more families. On average, vouchers or moderate rehabilitation of existing units can provide hous-

6 Quoted in "House Panel Rejects Administration Plan to Fund HOME, HOPE in 1991 by Cutting Existing Programs," *Housing and Development Reporter*, March 4, 1991, p. 900.

7 National Association of Realtors, *Home Sales*, Vol. 5, No. 1, January 1991; Chicago Title and Trust, *Who's Buying Houses in America: Chicago Title and Trust Company's 15th Annual Survey of Recent Home Buyers*, 1991.

8 Alan Finder, "A 50-Year Rise in Rents Ends in Many New York City Areas," *New York Times*, November 28, 1990.

9 William C. Apgar, Jr., et al., *The State of the Nation's Housing: 1990* (Cambridge, MA: Joint Center for Housing Studies of Harvard University, 1990), p. 21. These rents are 1987 American Housing Survey figures adjusted to 1989 dollars.

ing at less than half the cost of new construction. HUD estimates that by reducing from 10,000 to 3,000 the number of public units funded in fiscal 1991, and shifting \$500 million from public housing construction to HOME, the government could provide housing to 32,500 families through tenant-based assistance, another 21,500 families through rehabilitation, and still another 2,500 families through new construction.¹⁰

CONCLUSION

Last week's House vote undermines HUD Secretary Jack Kemp's strategies to help the poorest Americans. If the Senate concurs with the House's action, it would virtually kill HOPE. Instead the Senate should help further independence among the poor and reject arguments to expand expensive public housing. In particular, the Senate should support the Administration's rescission proposal to remove \$500 million for public housing construction and use the money instead for HOPE over HOME. In addition, it should eliminate all 1991 reservations of money for public housing construction and convert that money to vouchers and public housing renovation.

Choice for Congress. The choice is clear in the debate over housing finance: Is Congress on the side of increasing welfare dependency, and the attendant problems it brings, or is it on the side of those who wish to be independent? Is it committed to the enrichment of the housing construction lobby or to the empowerment of those who need housing?

If a crisis in housing affordability for the poor can be said to exist, that crisis is in the very public housing program that the House voted to expand. Vouchers, tenant management, and other programs that give the poor a wider range of housing choices and the chance to strengthen their communities is the solution to that crisis. HOPE is the most important tool to achieve that solution, and Congress should shift funds from other programs to make it a reality.

Carl F. Horowitz, Ph.D.
Policy Analyst

¹⁰ See comment by Thomas M. Humbert, HUD Deputy Assistant Secretary for Policy Development, quoted in "House Panel Rejects Administration Plan," p. 899.