

**RUSH!**

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## THE HOUSING APPROPRIATION: CONGRESS CUTS THE LEAN TO FUND THE FAT

Americans are puzzled by the fact that domestic spending is surging, and yet money always seems short to fund effective solutions to the nation's ills. To understand why this paradox occurs, they need look no further than the housing and community development provisions of H.R. 5679, the fiscal 1993 appropriation bill for the Department of Veterans Affairs, the Department of Housing and Urban Development (HUD), and Independent Agencies. Versions of the bill passed each chamber of Congress this summer, and now await action by a House-Senate Conference. The House and Senate versions of the bill raise HUD spending in fiscal 1993 to levels even beyond that of 1992: \$25.8 billion in the House version, and \$25.4 billion in the Senate version. Each sum represents a substantial increase over the \$23.8 billion fiscal 1992 appropriation. Yet although the bills pour billions of dollars into the construction, operation, and renovation of public housing—which often line the pockets of developers and corrupt public housing authorities (PHAs) rather than helping the poor—the bills cut or ignore approaches that efficiently house lower-income Americans.

In particular, the bills do little to advance the bold agenda of HUD Secretary Jack Kemp. Kemp has won strong bipartisan support, as well as the eager backing of public housing tenant organizations, for his proposals to allow tenants in badly run projects to take over management and ownership functions. HOPE, or Homeownership and Opportunity for People Everywhere, was created as Title IV of the 1990 National Affordable Housing Act. One component of this program, HOPE I, provides grants to tenant and other nonprofit groups to manage, renovate, and eventually buy public housing projects. A new proposal, Perestroika for Troubled Public Housing, would let residents of "troubled" projects assume management by a simple majority tenant vote, and ownership by a two-thirds majority vote. Kemp also has been urging Congress to expand the use of rent certificates and vouchers under its Section 8 Existing Housing Program. Certificates and vouchers essentially are five-year "rent stamps." An eligible low-income household can apply a certificate or a voucher to the cost of a wide selection of available private rental housing.

**Short Shrift.** Congress is giving short shrift to these Kemp-supported programs. For instance, both houses voted funding amounting to only a little over a third of the Administration's \$450 million request for HOPE I. Neither the House nor the Senate has appropriated any Perestroika funding, although the Senate included in its just passed housing authorization bill (S. 3031) a \$50 million tenant management demonstration program. And while the House and Senate, respectively, have appropriated funding for some 50,000 and 9,000 new rental vouchers/certificates, the Administration has requested funding for over 82,000.

Meanwhile, the bills vote large sums for expensive public and subsidized housing construction, which repeatedly have failed to fulfill their purpose of providing stable, habitable living environments for the poor.

**Example:** The Senate version of H.R. 5679 creates a misnamed "HOPE VI" program, which provides \$350 million—some 40 percent of its entire 1993 HOPE budget—for reconstruction of outdated and dilapidated projects, and for social and community service activities for tenants. Yet public housing projects have become ghettos of hopelessness in many cities. Last year the National Center for Neighborhood Enterprise (NCNE), a Washington, D.C.-based urban research organization, released a study entitled

*The Silent Scandal: Management Abuses in Public Housing.* The NCNE report documents “shocking ineptitude and outright abuses” in the way housing authorities run their projects.

**Example:** H.R. 5679 earmarks \$600 million (the House version) and \$1.5 billion (the Senate version) to HOME, which is a block grant program established under the 1990 National Affordable Housing Act to assist states and localities to create affordable housing. Yet the program seems intended as little more than a boondoggle for builders.

**Example:** The House would give \$4.0 billion and the Senate \$4.1 billion to the Community Development Block Grant (CDBG) program, which received \$3.4 billion in fiscal 1992. CDBG was created in 1974 as a way of consolidating federal grant programs for housing, infrastructure development, social services, and other functions of local government. Too often, this politicized program steers money for favored constituents.

HOPE I and Perestroika address the root of the problem with America’s public housing projects: public management and ownership of the projects. Experience shows that when tenants have a stake in running their projects, they do a better job than the PHAs they replace. Highly successful examples of resident management include Bromley-Heath (Boston) and Cochran Gardens (St. Louis). In both instances, tenant groups have been managing these projects since the 1970s, in the process improving maintenance, virtually eliminating crime and vandalism, and initiating job training programs for tenants.

Similarly, the vouchers and certificates eschewed by Congress actually house families decently at about half the price of construction programs. Moreover, vouchers give low-income tenants a choice of where they want to live, while avoiding their concentration in certain neighborhoods. Voucher-holders normally obtain good housing.

**Powerful Pressure.** Why, then, does Congress insist on heavily funding programs that do not work well, while shortchanging those that do? The reason is that powerful groups who gain from the failing programs—especially public housing management organizations—lobby hard on Capitol Hill. Such groups as the Council of Large Public Housing Authorities, the National Association of Housing and Redevelopment Officials, and the Public Housing Authorities Directors Association, along with their allies in Congress, are attempting to defund Kemp’s initiatives. These organizations have a lot of money on the line. Public housing authorities received a record \$5.25 billion in fiscal 1992 in HUD appropriations to cover operating expenses and modernization activities of existing projects—more than 60 percent over the combined 1989 outlay. The House and Senate for fiscal 1993 appropriate, respectively, \$4.5 billion and \$5.8 billion. PHAs see turning over management and ownership to public housing tenants as a threat to their income. Building and managing new projects is much more lucrative to PHAs.

If lawmakers truly want to help the poor, House-Senate conferees should make key changes to H.R. 5679. Specifically, they should:

- ◆ Fund HOPE I and Perestroika at Administration-requested levels, taking the money from other programs.
- ◆ Cancel funding for new public housing construction and reconstruction. This includes not only the \$350 million for the new HOPE VI program, but also \$866 million (10,300 units) and \$757 million (9,000 units), respectively, in the House and Senate versions.
- ◆ Use part of the savings from canceling expensive construction to fund more vouchers and certificates.

If conferees do not take these actions, President George Bush should veto the bill. By doing so, the President would send out a strong signal that the time has come for Congress to get HUD spending under control, and to devote funds to programs that help the intended beneficiaries, not powerful interest groups.

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