

Florida Association of Housing &  
Redevelopment Officials  
Fort Lauderdale, 9 August 1979 (Thu) 9:00A.M.  
Annual Conference at 3515 South Ocean Drive  
Hollywood Beach

I welcome this opportunity to meet with you.

In carrying out my job on the Banking and Housing  
Committee, I believe that it's important for me to get  
to know you better. Because if there is anybody who  
understands the housing problems of low income Ameri-  
cans, it's you. Nobody has worked as long, or as hard  
at it as you have.

Unfortunately, too few Americans recognize the  
success you have achieved.

Your national organization, the National Association of Housing and Redevelopment Officials, has for many years now, counseled the Congress on housing -- and on community development matters, too. I can say, very frankly, that as a member of the Committee that writes housing legislation, I look for that advice. I want to know what NAHRO says and what NAHRO recommends. I may not always agree with the recommendations, but I know that when I need the facts, I get them from your staff in Washington. And often, even when I don't think I need them, I get them any-

way -- usually with a lot of good suggestions thrown in.

I recognize that behind these recommendations lies the extensive experience and working knowledge of groups like the Florida Association of Housing and Redevelopment officials. I appreciate being able to draw on that experience and knowledge, and hope to be able to continue to do so.

In joining you today, I expect that I will learn more from you than you will learn from me. But I will try to carry out my part, first by bringing you up

to date on this year's housing legislation and second, by adding a few comments about the present state of our housing assistance programs.

As you may know, the Senate and House will resume Conference on the 1979 Housing and Community Development Amendments when Congress returns to Washington in September. There are some significant differences between the Senate and House bills, and these will have to be resolved by the conferees.

This year's legislation is primarily reauthorizing legislation. It has not been a year for new programs.

For public housing, however, it is a relatively significant legislative year.

The bills which have passed the Senate and House could result in important changes in the programs you administer. I will report on several of these, indicating the positions taken by the Senate and House, together with a personal view of the possible outcome. (I know that whatever I say may be used by you to influence the outcome. But I figured that since I'm your guest you wouldn't use what I say against me or the Senate bill.)

I. Funding for Assisted Housing

The Senate bill authorizes \$1.140 billion for annual contributions to contracts in Fiscal Year 1980. The House bill provides \$1.286 billion. The difference is estimated to be approximately 30,000 new assisted housing units. If past compromises set a precedent, the difference will be split, resulting in \$1.213 of new contract authority, enough to assist about 285,000 additional units of subsidized housing. The authorized funding level would be a 1 1/2 percent nominal increase over the 1979 levels. But with inflation, it actually results in a real decline of 7 percent. Last year,

similarly, the dollar authorization increased by 3 percent, but real assistance for housing fell by 6 percent. Clearly, inflation is eating into the level of our housing assistance programs, as it is with everything. But it should be noted that the real decline of 13% over the past two years is not a policy of abandonment. Congress is still committed to housing programs -- but the increases in budget authorization are not keeping pace with the overall inflation.

## 2. Funding for Public Housing

From the total authorization for assisted housing,

the House bill specifically authorized \$223 million for use in public housing programs. This figure is calculated to carry out the Administration's proposed public housing program.

The Senate bill does not specifically authorize a level of funding for public housing, leaving the decision to the Secretary. Accordingly, it appears that, with the approval of the appropriation, Local Housing Authorities can count on funding for 50,000 newly-constructed or substantially rehabilitated units.



Setaside of Modernization Funds

Out of the total funding for public housing, the Administration proposed to set aside a modest \$37 1/2 million for modernization of public housing units which are in need of repair this coming year. The House has recommended that \$55 million be set aside for this purpose. The Senate did not specifically recommend a particular level. My guess is that the conferees will settle at a figure that is very close to the \$50 million level agreed to last year, recognizing that conservation of the public housing stock requires continued attention and funding.

It should be noted that the House bill would, in addition, exempt modernization funds from Section 213 of the law which requires that all housing funds be allocated among communities according to what is termed the "Fair Share" formula. This exemption should help those local housing authorities secure needed modernization funds without competing for funds that local communities might use for projects that are politically more popular. I expect the Senate to accept this provision.

### 3. Reallocation of Funds

I also expect the conferees to adopt a provision in the Senate bill which would limit the ability of HUD to reallocate funds from one area to another or from one state to another. Local communities would be permitted to amend their housing plans (HAPS) in order to make use of funds that have been allocated but not committed, and HUD would be required to expedite the processing of such revised appropriations.

### 4. Local Option

The House bill also contains a provision that

would require the Secretary of HUD to distribute low-income housing assistance funds in accordance with local housing plans. This would clarify existing law, particularly with respect to the public housing and Section 8 programs. Charges have been made that HUD has pushed the use of public housing in some communities that preferred to use the Section 8 program to satisfy their low income housing needs. I would imagine that the House provision will find its way into the Conference agreement.

## 5. Tenant Selection

Yet another House provision would establish new criteria for the selection of public housing tenants.

Under this criteria, families occupying substandard housing or families displaced involuntarily at the time they apply would receive preference in selection.

This amendment is intended to discourage tenants from holding a place in the public housing waiting line over a lengthy period in order to secure a particular housing unit. While I have heard that there may be some headaches in administering these priorities, I expect that the conferees will approve the intent of the amendment.

6. Disposition of Public Housing

A more contentious proposal included by the House in its bill would limit the ability of local communities to demolish or convert public housing projects. Under the proposed amendment, no project assisted after this year could be disposed of without the Secretary's approval. I know that some communities object strongly to this limitation. I, myself, have some concern that it may give HUD too much power, particularly in cases where the project has already been paid off or where adequate HUD assistance is no longer available.

While the amendment, rightly I think, seeks to prohibit local communities from disposing of projects too easily, and possibly forcing low income residents out, it is missing a balancing guideline for HUD to follow in considering a community's disposition plan.

I expect the conferees to grapple with the House proposal for a bit before coming up with a modified resolution.

#### 7. Performance Funding System

The House bill also contains a provision that

would require HUD to distribute any operating subsidy funds not allocated under the Performance Funding System to projects which have incurred excessive costs which were beyond the control of the local housing authority and which were not fully taken into account by the distribution process at the beginning of the year.

I have not heard much criticism of this provision, and expect that it will be approved in some form. I must admit, however, that I do not believe it goes to the core of the issue which is the Performance Funding System itself.



## 8. Weatherization

In order to reinforce the drive for energy conservation, the House bill also proposed that HUD require local housing authorities undertaking modernization projects to weatherize them to the maximum extent practicable. Local housing authorities would be strongly encouraged to use materials and carry out activities specified in the Energy Conservation in the Existing Buildings Act of 1976.

Local housing authorities would also be strongly encouraged by HUD to use heating and cooling systems

in new construction subsidy rehabilitation buildings which life cycle cost analyses prove to be most economical.

#### 8. Rents

Among the most contentious of the new amendments are those dealing with tenant rent charges. There are three proposals before the conferees. The first authorizes the Secretary of HUD to establish higher rent charges than those now existing, for new tenants whose incomes exceed 50 percent of the median income in the area. Very low income families, whose incomes

are 50 percent or less of the area median income, now are require to pay a maximum of 25% of their income for rent. This would not be changed under the House amendment. However, families with higher incomes may be charged higher percentages up to a new maximum of 30 percent of income. A comparable change would be made under Section 8: the very large low income family entering assisted housing could be required to pay as much as 20% of its income for rent instead of the 15% maximum now in effect, while the family with an income between 50% and 80% of median income could be required to contribute between 20%

and 30% of income for rent, instead of the 15% to 20% range now in effect.

Similar proposals were considered briefly by the Senate. However, when the issue was discussed in Committee, there clearly was a lack of support for altering tenant rent schedules this year. It was my personal feeling that the case for changing rent requirements had not been made before the Committee. We had not held hearings on this subject and had not heard the facts or the implications from the Administration, from housing authorities, or from tenants.

It would, I believe, be a mistake to legislate a change of so complex and so important a subject without adequate information. A change could, I feel, yield greater inequity and more difficulties for local authorities than much-needed revenues.

I am not at all sure how the conferees will deal with this subject. It may well be that the House conferees have sufficient information and sufficient strength of argument, to win over the Senate conferees. On the other hand, the Senate bill proposes that an extensive study of alternative minimum rent require-

ments be conducted, and their effects on tenant incomes and revenues be determined. This study would be made available to the Congress early next year for consideration in the 1980 Housing bill.

As I indicated, I believe the Senate bill provides the sounder approach. For one, it would permit us to consider a broader range of alternatives, including one that your organization has developed. It seems to me that all of us share the view that low income families should not be asked to bear a disproportionate share of the impact of inflation. At the same time, we

recognize that local housing authority revenues must be increased if public housing is to be maintained.

A year of study would, I think, be preferable to a year of trial and error. Action on this important question can, I believe, be taken up next year, with much less uncertainty about the results.

#### 10. Eligibility

The last amendment I will report on concerns a Senate provision that would restrict eligibility for low rent housing assistance under Section 8. Under the present law, all families having incomes below 80% of

the median income in the area are eligible for housing assistance. The Senate bill would change this to 70% of median income. The Senate moved to restrict eligibility after considering the fact that some 30 million households in the United States are eligible for Section 8 assistance. It was argued that by making almost 40% of U.S. households eligible for housing subsidies we have gone too far in extending Federal housing aid. In addition, it was argued that housing programs are both inequitable and unrealistic because they provide help to only 10% of those entitled to such help. The Committee seriously considered a proposal to limit



assistance to about 50% of median income before adopting the more moderate restriction contained in the bill.

It is estimated that the Senate provision would reduce the number of households eligible for aid from 30 to 25 million.

I know there is considerable opposition to this proposal. It has been argued that limiting eligibility to a lower income group will reduce rent revenues to housing authorities and result in increased requirements for Federal subsidies. It is also argued that limiting eligibility will also reduce opportunities to

achieve the social objectives reflected in the existing requirement for income mix in assisted housing. While these arguments may have merit, the Senate this year has indicated that it has strong views about the necessity for reducing the number of persons eligible for housing assistance.

Having reviewed the major proposals affecting public housing in this year's pending legislation, I would like to close with a few thoughts I have about the present state of housing assistance programs.

Frankly, I think we are at a crucial point in setting national housing policy. I say this because I think changing circumstances are forcing us to reconsider both the ends and means of housing policy.

The costs of subsidized housing are high and getting higher. Some people say they are too high and that we can no longer afford to expand housing assistance the way we have in the past. There appears, moreover, to be a growing resistance in the Administration and in the Congress to large and long-term spending commitments for housing aid. The 1968 housing

goals called for an average of 600,000 additional assisted units over the decade that has just ended.

While we never reached that level, the number of units assisted reached almost 500,000 early in this decade.

In 1973, the Nixon moratorium abruptly ended all assistance. The Carter Administration, in its first year in office, urged the Congress to set, and maintain, a yearly increase of 400,000 units. During the second year, the target was lowered. In the year ahead, we will do well to get funding for 265,000 units. The trend has clearly been downward and I am not overly sanguine about reversing this in the near future.

Serious questions are also being raised about the design of our housing programs. I don't betray any secrets in reporting that there are doubts about the advantages of the Section 8 approach and a continuing skepticism about the viability of the public housing program, our two most important housing programs. There is, moreover, continuing concern about our ability to administer housing assistance. Critics continue to charge that the programs are not reaching the right people in the right places and are not providing the services that are needed.

There is, today, a certain lack of confidence that our present programs are, in fact, accomplishing what they were intended to accomplish.

Within the traditional public housing program there are also basic problems that you and other housing officials have identified.

- I. There is the widespread problem resulting from the fact that the operating costs of many housing authorities are greater than their revenues. And the cost-revenue gap continues to grow.

I'm aware that many authorities believe that the Brooke amendment (limiting tenant payments to 25% of their income) should be repealed and that you have developed a proposal to establish minimum rents based on fair market rent schedules and utility allowances.

2. There is the problem of public housing maintenance which has been deferred for too long. In many cities, older structures have fallen into serious disrepair and there is difficulty in maintaining them as decent housing. While this problem is less serious in Florida and in the South generally, it

constitutes a major problem nationally.

3. There is also a problem, according to many housing officials, with the performance funding system. It was designed to distribute operating aid to local authorities on the basis of need and performance. But there are many who assert that the system is inequitable and is contributing to the decline of their financial soundness.

4. There is the perennial problem of image, the Pruitt-Igoe Syndrome, that afflicts America's view of public housing.



This recitation of problems and there are others I could add, should not lead us to the conclusion that Federal housing assistance is "on the way out" or that public housing is no longer viable, as some doomsayers have it.

It should, on the contrary, lead us to take a hard look, once again, at our housing policies and programs. We need to reassess our objectives in light of our resources and make the changes that are needed in our programs in the light of experience. In a changing world we can't set fixed priorities or programs.

We are, I think, at that crucial point where we must reappraise.

I am hopeful that we will take action to improve the revenue picture for local housing authorities without drastically affecting tenant welfare. CBO projects that annual operating subsidy requirements will exceed \$1 billion within a few years. When you realize they were only \$75 million in 1971, the need for change, particularly at a time of Federal budget deficits, is apparent. We need to look not only at alternative minimum rent proposals but at others which may afford

local authorities greater revenues.

We must, I believe, give higher priority to conservation of the existing public housing stock.

But at the same time weigh carefully each investment.

Our public housing stock is an asset that must be

preserved. But we shouldn't necessarily consider the

stock to be a frozen asset, so long as advantages can

be gained in the effort to provide decent housing for

low income families.

I think it's time to consider overhauling the Performance Funding System. It was originally adopted

as an interim solution. It's probably time to reevaluate it and to change it in ways that will provide greater incentives for delivering housing services efficiently.

In the months immediately ahead, we need to determine what is needed to boost the production of public housing to the target levels set by the Administration, and what is required to insure that housing for families will be produced at the levels needed. I am particularly interested in strengthening the role of public housing in smaller communities and rural

areas where substandard housing conditions are still most concentrated. I think that public housing in smaller communities and in the South generally is a success story that should be built on. There was a time, not many years back -- before the Nixon moratorium -- when public housing projects in smaller communities and in non-metropolitan areas were leading the way in demonstrating how publicly-built and -managed housing could fulfill the objectives of the 1937 Housing Act.

I would like to see that day return.

EXTRA NOTES SENT BY BOB MALLKOFF

FLORIDA ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

CHIEFLY INTERESTED IN PUBLIC HOUSING

PRIMARILY INTERESTED IN SECURING NEW MINIMUM RENTS

IN ORDER TO INCREASE REVENUES

PRESENT LAW PROVIDES FOR A MINIMUM RENT NOT TO BE

LESS THAN 5% OF GROSS FAMILY INCOME AND A

MAXIMUM RENT WHICH MAY NOT BE MORE THAN

25% OF TENANT INCOME.

FAHRO ARGUES THAT MAXIMUM RENT REQUIREMENTS PROVIDE

PHA'S MORE REVENUE THAN MINIMUM RENTS, SO EFFECTIVELY

HAVE ELIMINATED MINIMUM RENTS. FAHRO ARGUES THAT A

"REASONABLE" MINIMUM RENT IS REQUIRED. THEY WANT

THE MINIMUM TO BE LEGISLATED AS HUD FAIR MARKET RENT

(WHICH IS BASED ON COMPARABLE RENTS IN THE AREA) LESS

AN ALLOWANCE FOR UTILITIES TIMES 40% OF THE REMAINDER.

### PUBLIC HOUSING; SELECTED FACTS

1937 HOUSING ACT TO AID POOR AND NEAR POOR FAMILIES AND

ELDERLY PERSONS WHO CANNOT AFFORD MARKET RENTS. FED. GOVT.

PAYS FOR CONSTRUCTION AND LOCAL PUBLIC HOUSING AUTHORITIES

OPERATE. 1.2 MILLION UNITS IN EXISTENCE, FED. COMMITMENT OF

19 BILLION DOLLARS. 59% OF UNITS ARE OCCUPIED BY FAMILIES -

41% BY ELDERLY, , 52% OCCUPIED BY BLACKS; 37% WHITE; 11%

OTHERS, 80% OF FAMILIES ARE BLACK; 60% OF ELDERLY ARE

HISTORICAL INADEQUACIES, EMERGENCY NEEDS,  
SECURITY NEEDS, AND LACK OF EXPLICIT STANDARD OF  
PERFORMANCE.

2. MODERNIZATION - HUD HAS PAID \$2.6 MILLION FOR  
CAPITAL IMPROVEMENTS TO DATE.
3. TARGETS PROGRAM - PROVIDES ONE TIME FUNDING.
4. TENANT SELECTION PROGRAM - ENCOURAGES PHA'S TO  
SELECT TENANTS WITH A BROAD RANGE OF INCOME AND  
TO SELECT OUT TROUBLESOME TENANTS.
5. SMALL PHA COOPERATION AND CONSOLIDATION DEMONSTRATION -  
TO ENCOURAGE SMALL RURAL PHA'S TO CAPTURE ECONOMIES  
OF SCALE BY JOINING IN ADMINISTERING SERVICES.