

MEMO OF MEMBERS

The Weekly Newsletter of the National Low Income Housing Coalition

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HUD

HUD Changes Voucher Funding; PHAs Plan Terminations

As advocates head to Washington for NLIHC's annual conference this week, threats to the housing voucher program will top the agenda. In addition to the pending cuts to vouchers in FY05, advocates are grappling with HUD's recent decision to withhold program funds for the current (FY04) year. Voucher holders in Massachusetts are faced with the most dire threat, as it appears that, in an unprecedented step, termination letters will be sent to 500 current voucher holders the week of April 26. Reports are that other jurisdictions around the country soon may have to follow suit.

As reported in last week's *Memo*, HUD is interpreting the 2004 appropriations language in a way that means that not all of the increased renewal funding that has been appropriated will actually be made available to public housing authorities. On April 22, HUD formally released its notice to implement Section 8 renewal changes. Instead of covering actual vouchers costs in 2004, HUD is now issuing payments based on the vouchers under lease on August 1, 2003, adjusted for inflation. HUD claims are necessary because of how it interprets differences between the FY03 and FY04 appropriations legislation. In the notice, HUD said that Congress enacted these changes in the FY04 appropriations legislation to better control the increasing costs of vouchers.

NLIHC and Members of Congress dispute this, pointing out that Congress increased the funding in the FY04 appropriations bill by \$2.4 billion in order to ensure that public housing agencies (PHAs) could serve all of the families in the program.

Ranking Member Senator Paul Sarbanes (D-MD) raised the issue during the confirmation hearing for Roy Bernardi for HUD deputy secretary (*see related*)
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Capitol Hill

Budget Work Still Incomplete

As Congress returned from its spring recess this week, the House and Senate were still not able to reach agreement on an FY05 budget resolution, with the pay-as-you-go provision still the sticking point in negotiations. In the pay-as-you-go provision that is included in the Senate version of the budget resolution, both tax cuts and increases in entitlement spending have to be paid for by other spending cuts or an increase in taxes. This provision is still being debated by House and Senate conferees.

The House leadership has opposed requiring future tax cuts to be subject to offsets, but moderate Senate Republicans believe they should be. The *Congressional Quarterly* reports that a key Senator, Olympia Snowe (R-ME), is opposed to any proposal that would exempt any tax cuts, including the child tax credit and marriage tax reform that the Administration is trying to extend this year, from the offset requirements in the pay as you go provision. Senators Lincoln Chaffee (R-

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POINT OF VIEW

by Sheila Crowley, President

So it has come to this. Forced by HUD's actions, on Monday, April 26, the Massachusetts Department of Housing and Community Development will direct eight regional organizations that manage the state's federal housing voucher program to send notices to between 500 and 600 landlords canceling their Section 8 contracts. Without the subsidy, the tenants will not be able to afford their rents and lose their homes. All indications are that the contract terminations in Massachusetts next week are just the first wave in a housing crisis that is going to roll across the country.

This is a cataclysmic failure of the federal government to keep the public trust. For the first time in the 30 year history of federal housing vouchers, people who are currently receiving housing vouchers and renting homes with them will be terminated from the program.

It is completely unnecessary. Congress appropriated enough money to cover all vouchers for the current fiscal year. Indeed, Congress struggled to find the money to fund all vouchers in use last year to prevent this very thing from happening.

The responsibility must be placed squarely on the Bush Administration, even though HUD would like to put the responsibility on anyone else but themselves. It is "Congress's fault; we're just doing what they told us to do." Or it is

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article). Senator Sarbanes warned that families might lose their vouchers under the way HUD has implemented the FY04 voucher formula, and informed Mr. Bernardi that it was the intent of Congress to fully fund all vouchers in use and that “no family should lose their assistance.”

Mr. Bernardi asserted that no family “currently in the system” would lose their assistance. Mr. Bernardi also asserted that the cause of families losing vouchers is PHAs issuing more vouchers than were authorized and that HUD would not pay for the additional vouchers. It is true that some PHAs have had problems with leasing more than their authorized numbers of vouchers as they attempt to fully utilize their voucher funding in changing rental markets. But HUD’s interpretation of the FY04 appropriations legislation could cause families to lose their vouchers even when PHAs are well within their authorized levels, if those vouchers cost more than the inflation factor that HUD is planning to use. This could happen where families’ incomes have gone down or rents have gone up.

Senator Sarbanes said that he plans to monitor HUD’s actions to ensure that no family loses its assistance. On April 22, he and Senator Susan Collins (R-ME) wrote to HUD Secretary Alphonso Jackson. “We believe that HUD’s guidance applies the law inappropriately, and that HUD has the ability, within the statutory framework, to provide adequate funding for all housing vouchers in use. It is clear that the intent of Congress was to ensure that the voucher program was sufficiently funded so that no family would lose assistance,” they wrote.

Senator Barbara Mikulski (D-MD), Ranking Member on the VA-HUD appropriations subcommittee, also wrote to Secretary Jackson, expressing “shock” that HUD is proposing new and potentially damaging rules for the Section 8 program. “The Department clearly has the authority to provide housing authorities with the funds they need to serve all families in the Section 8 program,” she wrote on April 21.

HUD’s actions and comments continue to point to the Administration’s efforts to dismantle the Section 8 program as it currently exists. In an April 21 article, Assistant Secretary Michael Liu told the *Washington Post* that low income housing advocates who want to reverse the change “would put the program in an automatic deep hole.”

NLIHC has scheduled a meeting for Tuesday, April 27, with William Russell, Deputy Assistant Secretary for

Public Housing and Voucher Program. In addition, individual Coalition members will advocate on this issue when they visit their Congressional delegations, and a number of Members of Congress will speak to conference attendees over the course of Lobby Day, where concerns over the FY04 renewal notice will also be expressed.

HUD Officials Reported Out in Senate Hearing

The Senate Banking Committee held a nomination hearing on April 21 to fill several key HUD positions. Reported out during the hearing were Roy Bernardi to be Deputy Secretary, Dennis Shea to be Assistant Secretary of Policy Development and Research (PD&R), and Cathy MacFarlane to be Assistant Secretary of Public Affairs.

Mr. Bernardi is currently Assistant Secretary of Community Planning and Development (CDP) at HUD, and is slated to move up to fill the opening left by Alphonso Jackson, who is now HUD Secretary. During the hearing, Mr. Bernardi was generally lauded for his work in CDP, the division of HUD that administers programs such as HOME and the Community Development Block Grant (CDBG) program, and as the former Mayor of Syracuse. “Mr. Bernardi has excellent record for building communities and making communities more livable,” said Senator Elizabeth Dole (R-NC).

However, Ranking Member Senator Paul Sarbanes (D-MD) expressed concern over recent reports of HUD’s implementation of the FY04 appropriations bill, specifically concerning the housing voucher program (see related article in *Memo*).

Also during the hearing, Senator Jack Reed (D-RI) expressed concern over the 2001 Worst Case Housing Needs Report, recently released by HUD. “I am distraught that needs are rising in this country,” said Senator Reed. He also expressed concern that the report was released a year later than expected. Mr. Shea, who as head of PD&R would be responsible for releasing future reports, assured the committee that the report would be released in a timely manner in the future.

It is unclear when the full Senate will vote on the nominees.

Neg-Reg Debate Continues

The committee charged with developing a formula for the distribution of public housing operating funds recently completed a six-day session by adopting a proposal to change the way public housing authorities receive funding for their operating costs.

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Update from the Field

IL Housing Trust Fund Raided Again

In a reprise of 2003, Illinois Governor Rod Blagojevich (D) is taking money from the state's Affordable Housing Trust Fund to plug holes in the state's budget. Late last spring, the Governor took \$5 million from the Trust Fund. This year, he has announced plans to take another \$3.8 million.

As part of the budget passed by the Illinois legislature for the 2004 fiscal year, the Governor is allowed to take a certain percentage of unobligated, unreserved funds to cover "state costs." Governor Blagojevich is using this authority to take money from the Trust Fund. Unfortunately, this authority does not recognize the length of time needed for housing development, resulting in funds that are not yet obligated but will be used over time to meet the state's significant housing needs.

The Illinois Housing Roundtable, a coalition of 50 organizations including the Statewide Housing Action Coalition (SHAC), has pointed out in a letter to the Governor that the \$8.8 million taken from the Trust Fund in 2003 and 2004 represents only one-quarter of one percent of the estimated budget deficit. The Roundtable has asked the Governor to restore the \$3.8 million to the Trust Fund.

In its letter, the Roundtable also told the Governor that the raid of the Trust Fund also means the loss of 776 units of affordable housing that could have been built with the funds taken. In addition, if used by the Trust Fund, the \$8.8 million over two years would have created 789 full-time jobs connected to the development of housing. Advocates have also determined that the \$8.8 million taken from the Trust Fund results in a loss of \$4 million in income tax, state real estate and property transfer taxes, and local building permit and impact fees.

"We feel that the Governor has done some positive things on housing, such as establishing a housing task force, but taking away resources is undermining the public statements he has made about the impact of housing," said SHAC's Bob Palmer. Governor Blagojevich is one of four governors to have endorsed the National Housing Trust Fund Campaign.

Advocates are reaching out to the Governor's housing task force to urge its members to tell the Governor to restore the funds. Advocates are also considering longer term administrative or legislative solutions that would place the Trust Fund out of Governor Blagojevich's or any subsequent governor's reach for the purposes of balancing the budget.

Housing in the Elections

Group Encourages Voting for Kids

The Every Child Matters Education Fund (ECMEF), a children's advocacy organization that helps raise children's needs on the country's political and policy agenda, recently announced that its first voter registration, education and mobilization van—dubbed the "I'm Voting for Kids Van"—has taken to the streets in New Hampshire and will soon arrive in West Virginia and Washington state.

The van will serve, both literally and figuratively, as a vehicle for registering, educating and mobilizing voters who are concerned with issues affecting children and their families. The vans will travel to childcare facilities, after-school programs, and health clinics in an effort to reach low income parents who feel their child's needs aren't being met.

Each van will be loaded with voter registration cards and materials designed to educate voters about the issues affecting children in their communities. The materials are designed to draw attention to the fact that many of the issues affecting low income children, including housing, will go undressed because children are not allowed to vote and their parents are often not registered.

Because ECMEF can't change the fact that children can't vote, the ultimate goal is to ensure that their parents show up to vote on Election Day. To aid in this effort, the vans will also deliver pledge cards signed by parents and other advocates for child that say, "As someone who values children, youth and families, and is concerned about the health, education and protection of children, I pledge that I will vote on Tuesday, November 2, 2004."

The ECMEF is one of many non-profit advocacy groups focusing on registering, educating, and mobilizing underrepresented populations. For information on how to get the "I'm Voting for Kids Van" to stop at your agency, visit www.everychildmatters.org.

Fact of the Week

Racial Make Up of Neighborhoods, 2000

	Central Cities	Suburbs
Exclusively White (<5% Black)	21%	58%
Predom. White (5% - 10% Black)	12%	14%
Mixed-Maj. White (10%-50% Black)	29%	21%
Mixed-Maj. Black (50%-90% Black)	18%	5%
Predom./Exclusively Black (>90% Black)	20%	2%

Source: Urban Institute, "Race and Residence: Prospects for Stable Neighborhood Integration," March, 2004. www.urban.org/UploadedPDF/310985_NCUA3.pdf

HUD *(cont'd from p. 2)*

Under the adopted proposal, PHAs would move from a formula-based reimbursement to a project-expense reimbursement. This means that PHAs would receive operating funds based on their individual properties, as opposed to being funded at a PHA-level as they currently are.

As proposed, the transition would take place over five years from the issuance of the final rule, but the goal is to have PHAs operate similar to FHA multifamily properties, whose operations more closely mirror the conventional real estate market. Advocates are concerned, since this model operates under the premise that PHAs do not provide additional services to their clients, that this model would cause PHAs to lose funding for fundamental residential services, such as the resident participation program. The committee, however, did vote in favor of maintaining resident participation funding as an add-on to the operating subsidy formula.

Although the committee adopted the project-based model, HUD did not explain to the committee what the term “project based” would mean in this proposal. The definition of the term “project based” will be among the issues discussed at an additional two-day meeting in mid-May.

Tenant advocates remain concerned over other aspects of the adopted proposal, including a proposal that would allow PHAs to raise rents and keep the difference in income above what was collected in FY04. Advocates are worried this change would encourage PHAs to favor the higher income families on public housing waiting lists, or to evict lower income families for minor lease violations.

The proposal incorporates several recommendations stemming from a report by Harvard University’s Graduate School of Design (GSD). As reported in previous *Memos*, work on developing the operating formula has been underway since 1999. As part of the process, faced with a lack of data on what it costs to operate public housing, HUD commissioned GSD to examine the issue. The switch to project based management and accounting was one of the report’s key recommendations.

The Harvard Study suggested that to facilitate a successful transition from the current funding mechanism to the project based model, PHAs should be relieved of many of the “regulatory burdens” that are unique to PHAs. Advocates are concerned that the adoption of the project based model will continue to encourage HUD and PHAs to urge Congress to pass “deregula-

tion” laws that would adversely affect tenants, including removing income targeting and restructuring rents.

In response to the proposal, advocates are planning to send letters to their Members of Congress urging outreach to HUD to ensure protection of tenants’ interests during the negotiating rulemaking process.

The next meeting of the group is tentatively scheduled for May 11-12 in Atlanta. Congress charged HUD with completing work on the formula by July 1.

Capitol Hill *(cont'd from p. 1)*

RI) and John McCain (R-AZ) have also said that they oppose allowing any tax cuts to be exempt. Senator Ben Nelson (D-NE), however, has said that he is opposed to applying the pay as you go provision to the pending tax cut extensions.

As the conferees continue to work out a compromise on the budget, the Center on Budget and Policy Priorities, the Concord Coalition, the Committee for Economic Development and the Committee for a Responsible Federal Budget released a joint statement on April 20 urging Congress to adopt a pay-as-you-go resolution that would apply to both tax cuts and increases in entitlement spending with no exemptions.

NLIHC signed on to a letter this week sponsored by the Coalition on Human Needs that also urges Senators to support the Senate-passed pay-as-you-go provision that applies to both tax cuts and entitlement spending. NLIHC members also participated in a call-in day on April 21 to urge Members of Congress to vote no on any budget that hurts low income families by allowing unlimited tax cuts for wealthy citizens.

Members of Congress are now aiming to reach a compromise and pass the budget by next week.

Bills at a Glance

Current information on legislation being tracked by NLIHC is available through NLIHC’s legislative action center, at <http://capwiz.com/nlihc/issues/bills/>.

Tell Your Friends...

NLIHC membership is the best way to stay informed about affordable housing issues, keep in touch with advocates around the country, and support NLIHC’s work. Membership information is available at www.nlihc.org.

Resources

Racial Integration in Neighborhoods

The Urban Institute has released a new report focusing on the racial compositions of large cities and suburbs in the United States. "Race and Residence: Prospects for Stable Neighborhood Integration," the third report in the Urban Institute's "Neighborhood Change in Urban America" series, examines the shifting racial composition of black and white neighborhoods and looks at whether neighborhoods are becoming more integrated over time, and whether such racially mixed neighborhoods are sustainable.

From the largest 100 largest Metropolitan Areas, the study takes the 69 areas where the black population was the dominant group among the minority population. Using the Neighborhood Change Database from the 2000 Census, the study breaks down neighborhoods into five categories, ranging from predominately white to predominately or exclusively black. In the cities studied, 60% of the tracts were predominately or exclusively white and 23% of tracts shifted from one category to another between 1990 and 2000. The number of exclusively white neighborhoods has decreased steadily, from 65% in 1980 to 56% in 1990 to 47% in 2000, although this is the neighborhood type that still occurs most frequently.

The data shows both that neighborhoods have become more integrated over time, and also that mixed neighborhoods are generally stable. Predominantly white neighborhoods changed most often between 1990 and 2000, with 52% of these neighborhoods becoming more racially integrated, and 7% becoming whiter. The authors also look at mixed-race categories in more depth, and do not find evidence that 'tipping' was inevitable: while the majority of neighborhoods that changed categories between 1990 and 2000 went from being whiter to blacker, some neighborhoods in every category went the other way as well.

(Continued next column)

Point of View *(cont'd from p. 1)*

"the PHA's fault; they did not manage their program efficiently." Or it is those landlords who charge too much rent. Or it is those poor people who are just too poor to pay their rent.

The Administration is choosing this course all on its own. Failing to convince Congress to cut the voucher program last year and getting an equally dismal response to their proposed cuts this year, HUD appears to be set on dismantling the program PHA by PHA. Does Alphonso Jackson really want to be the HUD Secretary who presides over the eviction of thousands of low income Americans from their homes due to the actions of his department?

We do know that Mr. Jackson will not be at work next week trying to prevent this crisis from spinning out of control. According to his office, he will be Africa all week at the direction of the White House. Let's hope nobody he visits is counting on help with housing.

(Continued from previous column)

Cities and suburbs are also compared in this study. Patterns of neighborhood racial change are consistent across the central city and suburban neighborhoods, but suburban neighborhoods have been less likely to become blacker than city neighborhoods. Forty-five percent of predominately white neighborhoods stayed the same from 1990 to 2000, while 32% of white central city neighborhoods stayed the same.

Despite the greater integration of races in various nations the study finds that many neighborhoods remained either exclusively black or exclusively white. This evidence shows that despite growing diversity within neighborhoods, widespread racial integration remains a challenge. More details of the findings of this study can be obtained from the Urban Institute at www.urban.org/UploadedPDF/310985_NCUA3.pdf.



National Low Income Housing Coalition

Memo to Members

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About NLIHC: Established in 1974, the National Low Income Housing Coalition is dedicated solely to ending America's affordable housing crisis. NLIHC educates, organizes, and advocates to ensure decent, affordable housing within healthy neighborhoods for everyone. NLIHC provides up-to-date information, formulates policy, and educates the public on housing needs and the strategies for solutions.