

# MEMO OF MEMBERS

The Weekly Newsletter of the National Low Income Housing Coalition

Volume 9, Issue No. 23 • June 11, 2004

## State of the Nation's Housing

### Report Finds Mixed News

*The State of the Nation's Housing 2004* was released in New York this week by Harvard's Joint Center for Housing Policy. Once again, along with a continuing boom for the housing sector of the economy, the report finds growing problems of housing affordability for the lowest income households.

The authors report that in 2003, even as both the homeownership and the rental vacancy rate increased nationally, rental affordability decreased. This is not to say that rents increased across the board; some areas saw median rents decline. And in many areas and nationally, the rate of increase became more moderate. In general, however, it was rents for newer and higher-end units that felt the most downward pressure. At the same time, areas with declining rents also likely experienced corresponding drops in income, contributing to higher rent burdens. The median share of income spent on gross rent reached 29% in 2003, nearly equal to the highs of a decade before.

(See **SONH** on p. 2)

## SPECIAL REPORT

### FY04 VOUCHER FUNDING CRISIS – WEEK 8

#### HUD Floats Proposal for Emergency Regulatory Change

HUD's attempt to solve the FY04 voucher funding problem—by providing housing authorities with \$150 million and by making slight changes to how it determines agencies' funding—appears to be running into difficulties. Since HUD's announcement to Congress on May 20, it has become clear that many agencies are still facing significant shortfalls. In an attempt to solve that problem, HUD held a call on June 10 with several organizations that represent housing authorities to ask for their support in an emergency regulatory change that would allow housing authorities to reduce their maximum payment for housing vouchers while providing minimal notice to tenants and landlords.

Such a change would result in landlords getting less for their units, with the tenant's share of the rent increased to offset the agencies' savings. Under current law, a tenant has one year before the increase would take effect, but HUD's proposal would make the increase effective within 30 days, giving residents little time to plan for rent increases. According to reports, HUD may publish this revision as early as Monday, June 14, to take effect within 30 days.

Meanwhile, reports continue to roll in from across the country that tell the story of the harmful effects of HUD's recent funding cuts that are already taking place. In Kearney, NE, for example, the Kearney Housing Authority will have to decide over the next months how to eliminate 23 vouchers of the 103 it currently administers.

And in Colorado, the Colorado Division of Housing is warning groups that administer the Section 8 program not to give out unused vouchers because they might run out of money. Evelyn Tileston, who runs the Independent Life Center in Colorado, said that normally when a voucher holder leaves the program, his voucher would go to someone on the waiting list. Because of the uncertainty of funding, however, vouchers are no longer being reissued. Other communities are

(See **Vouchers** on p. 3)

## POINT OF VIEW

by Sheila Crowley, President

The death of former President Ronald Reagan was the focus of the nation this week. As is to be expected during a period of mourning, those who thought highly of Mr. Reagan have dominated the public discussion. Those who disagreed with his policies have been appropriately subdued, although concerned that the lack of critical analysis during a period of such intense feeling may distort the historical understanding of the Reagan era.

I do not think there is much chance of that. With all due respect to those who revere Mr. Reagan, what the Reagan Administration did to poor people is now embedded in the American story. The literature of social policy has chronicled the Reagan legacy; the record is documented and cannot be erased. Future students will know 20<sup>th</sup> century American social policy by its three distinct eras: The New Deal, the Civil Rights Movement and the Great Society, and Reaganomics. The first two moved the United States closer to our ideals of equality and community, and the third attempted to undo the first two. Reaganomics has multiple meanings, but one that is clear is the belief that the market will reward those who are deserving, providing moral cover for reducing the government's role in ameliorating the discomfort of the poor and disabled.

Homelessness in the United States will forever be associated with the Reagan Administration. Housing advocates are well aware of the deep cuts to federal housing programs in the first Reagan

(See **Point of View** on p. 7)



NATIONAL LOW INCOME  
HOUSING COALITION

**SONH** (cont'd from p. 1)

The way that units have been added and lost to the rental stock in recent years appears to have exacerbated the problem, the report finds. Over the past 10 years, new units have been added disproportionately at the upper end of rent distribution, while the bottom end has seen primarily losses in stock. In 2001, nearly half of the units built since 1990 were renting for at least \$750, compared with only 29% of those built earlier.

The report also notes the failure of government policies to adequately address this trend in declining affordability. Steps have yet been taken to preserve federally assisted units, for example. Moreover, recent Administration cuts to the voucher program, while putting current voucher holders at risk, also “threaten both new development and investment in existing rental housing.” These changes are all occurring in a macro-economic environment where most job growth is projected to be low wage, with 11 of 20 fastest growing occupations having a current median wage of less than \$20,000 a year.

One innovation in this year’s report is the use of the Consumer Expenditure Survey to investigate how a household’s high housing cost burden can limit other expenditures. Not surprisingly, households spending over 50% of their outlays on housing spent far less on food and healthcare in 2001 than those who spent less for their housing, often two and three times less. For seniors, the differences are particularly stark. Though the nature of the income data collected by the Consumer Expenditure Survey hampers efforts to tie these spending trends directly to household income, the data are further evidence that high housing costs constrain other areas of spending for American families.

**Housing for Minority Households.** A major emphasis of this year’s report is on the participation of minority households, those headed by women, the foreign-born, and the elderly, in the country’s housing markets. Each of these groups makes up a growing proportion of the overall population, and the growth of these households is seen as the most important demographic trend driving the growth of housing markets.

When it comes to housing challenges, however, these groups are also over-represented. While the rate of homeownership among racial and ethnic minorities is growing, the gap in the homeownership rate between non-Hispanic Whites and other racial and ethnic groups remains significant. In 2003, the gap was more than 26 points for Black and Hispanic families and 18 points for Asian-American families and others. More-

over, these newest members of the home-owning population are more likely to earn less and pay more for their housing, including through subprime loans. And while the foreclosure rate for a conventional loan remains quite low, a record 2.93% of FHA loans and 5.63% of subprime loans were in foreclosure at the end of 2003. Where subprime lending is concentrated, these foreclosures can threaten broader redevelopment efforts.

At the same time, while 11% of all households in the country were considered foreign-born in 2000, these households represented 17% of all renters that year. The report authors also find that across groups, the 8 million single mothers in the United States are at the greatest disadvantage, spending the largest share of their income on housing.

Another focus of the report is the needs of the elderly, noting they face a “quadruple threat.” First, with lower average incomes, many elderly have inadequate incomes to pay all their housing costs. Second, with most living on fixed incomes, growing housing and other expenditures continue to erode their ability to make ends meet. Third, most age in place in single-family homes, making upkeep and the provision of care more difficult. Finally, any cognitive or physical limitations that must be addressed through in-home care or structural modifications further add to housing costs.

**The U.S. Housing Sector.** As in recent years, the report highlights the strength of the housing sector in the U.S. economy, including the historical highs achieved in the past year and the unprecedented housing boom in the midst of a recession and slow recovery. This year, however, there is greater uncertainty about what comes next. The report suggests that this year housing is likely headed for a “soft landing” in which “house prices, sales and new construction ease rather than drop off sharply.” But “if job growth falters or interest rates spike,” the report warns, “housing could be in for a rougher ride.”

NLIHC is a sponsor of the State of the Nation’s Housing 2003. The report is available at [www.jchs.harvard.edu/publications/markets/son2004.pdf](http://www.jchs.harvard.edu/publications/markets/son2004.pdf).

**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. Information is available at [www.nlihc.org](http://www.nlihc.org).

## Vouchers *(cont'd from p. 1)*

reporting similar stories, many of which are being collected by the Center on Budget and Policy Priorities, which has put together a questionnaire on the issue. The questionnaire is available at [www.nlihc.org/news/Sec8-04.html](http://www.nlihc.org/news/Sec8-04.html).

Meanwhile, advocates in Washington continue to express their concern with the Bush Administration's lack of support for the voucher program. Ten groups representing the housing industry, including the National Association of Home Builders and the National Apartment Association, sent a letter to House and Senate Members expressing continued concerns about funding levels in FY04 and cuts and proposed changes in the Administration's FY05 budget. On FY04 issues, the letter questions whether HUD's recent claim of having solved the funding crisis is accurate, and expresses strong support for legislation that was introduced in the House and Senate requiring HUD to restore the practice of funding vouchers based on actual costs adjusted by an inflation factor.

The bills, H.R. 4263, introduced by Representative Barney Frank (D-MA) and S. 2467, introduced by Senator Charles Schumer, continued to add cosponsors, but no action on them is planned.

Finally, HUD has announced that it is conducting two satellite broadcasts for local housing authorities concerning FY04 voucher funding. According to HUD's notice, housing authorities are invited to participate in these interactive broadcasts at HUD's Chicago field office on Monday, June 14, and Monday, June 21. The list of topics scheduled to be discussed includes voucher renewal funding, per-unit-cost determinations, Central Fund eligibility and requests, leasing limitations, and eligible use of program reserves.

### Jackson Addresses Voucher Cuts At Homeownership Event

On June 5, HUD Secretary Alphonso Jackson returned to St. Louis, where he served as director of the city housing authority in the late 1980s, to kick off the Administration's homeownership month with a town hall meeting. Follow his remarks on homeownership, however, the crowd quickly turned the meeting into a referendum on the funding cuts and proposed policy changes to the housing voucher program.

The event was originally announced in early May as a homeownership expo where citizens could learn about homeownership opportunities in and around the region. However, after citing "frustrations" with the group HUD contracted with to plan the event, HUD canceled the expo and settled instead on the town hall meeting.

Mr. Jackson began his remarks by presenting the Mayor of St. Louis with a \$20 million HOPE VI grant for the city, saying the funds would help make "homes feel like homes." Mr. Jackson went on to tell the audience that the Administration is committed to expanding homeownership, but admitted that while he feels everyone should be given the chance to own a home, not everyone can.

Mr. Jackson also touted the Administration's efforts to increase homeownership among minorities and low income citizens, telling the audience that Missouri would receive \$3.1 million in funding from the American Dream Downpayment Act. He ended his prepared remarks by promising the audience that HUD is committing itself to "ensuring not only that they [low income people] have decent and affordable rental and subsidized housing, but also decent and affordable homeownership opportunities."

Audience members were quick to point out to Mr. Jackson that the homeownership dollars the state would receive would pale in comparison to the impact of the Administration's voucher cuts. Tom Barry, president of the St. Louis Equity Fund, told the Secretary that as a result of rent freezes being imposed by housing authorities, \$20 million in investment by his organization is being "thrown out the window." Mr. Barry said that owners of newly refurbished properties cannot keep them running if they are unable to raise rents to match the local inflation rate. According to the St. Louis County Housing Authority, the inflation rate in the Greater St. Louis region is much greater than the .06% HUD is allowing. Mr. Jackson said that HUD would work with the city to address those issues.

"Why is HUD so anxious to cut back programs that are so obviously helping to alleviate the city and county's homelessness problems?" one advocate asked Mr. Jackson. He responded by blaming Congress, saying that HUD is just following the law and that there is "no \$200 million in the coffin" that will be left in the HUD accounts at the end of the year under HUD's new interpretation of the legislation. He also promised that "no one currently on the program will be taken off." When another advocate asked about the funding, Mr. Jackson replied, "If you know where the dollars are, and I'm the Secretary and I don't, please tell me."

Another resident questioned the Agency's rationale in cutting the voucher program in 2004 and 2005 when the waiting lists already contain more than 2,000 names. Mr. Jackson suggested that if the agency does not "control the costs of the voucher program," it will be forced to cut other programs such as those for the mentally ill and disabled.

## Capitol Hill House Expected to Consider Budget Next Week

Due to the death of former President Ronald Reagan, all legislation scheduled for consideration in the House and Senate was put on hold this week, including legislation related to the FY05 budget. It is now expected that the House budget process legislation, H.R. 3973, will come to the House floor the week of June 21. The bill is still presenting difficulties for the Republicans, as some members of the party still object to the five-year caps on discretionary spending contained in the version of the bill that was reported out by the Budget Committee. Advocates also continue to raise objections to the legislation, which includes pay-as-you-go rules that apply to spending but not tax cuts.

### Frank To Introduce Preservation Bill

In an attempt to preserve the stock of affordable housing, Representative Barney Frank (D-MA) has drafted legislation to preserve privately owned, government-subsidized housing. In a letter to members of the Financial Services Committee, Mr. Frank asked them to join him as original cosponsors of this legislation, which he expects to introduce shortly. The preservation of affordable housing is increasingly important; the General Accounting Office reports that more than 193,000 units of privately owned affordable housing will be lost over the next 10 years as owners' subsidized mortgages mature and their affordability requirements expire (See RESOURCE: Loss of Affordable Units Higher than Estimated).

The legislation would authorize \$675 million in previously appropriated housing funds—set to be rescinded in President Bush's budget—to be used instead to maintain the affordability of Section 221 (d) (3) BMIR or Section 236 units. The bill lays out several options for preservation of these units, including one-time grants to owners for rehabilitation, one-time grants to non-profit organizations to facilitate the purchase of properties, and annual payments to owners to cover the difference between subsidized and comparable market rents for low income tenants or for moderate income tenants who are elderly, disabled, or in low vacancy areas. HUD will determine the amount of assistance.

Any federal assistance will require the owner to extend the existing affordability restrictions depending on the type of assistance. The bill would also allow low and certain moderate income tenants not covered by rental assistance contracts to receive enhanced vouchers if their property owner chooses not to extend the affordability restrictions.

The bill also requires that owners intending to make any changes to the affordability status of their properties upon mortgage maturity must notify tenants nine months in advance.

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## HUD

### Jackson to Speak at Press Club

HUD Secretary Alphonso Jackson will speak and take questions at the National Press Club on June 17. In a speech titled "Renewing America's Communities, Homeownership: Myth vs. Reality," Mr. Jackson is expected to discuss the Administration's stated plans of increasing homeownership, especially among minority families.

Questions can be submitted ahead of time to [jbloom@press.org](mailto:jbloom@press.org), or in person at the event. Details are available at <http://npc.press.org>.

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## National Housing Trust Fund

### Three New Senate Cosponsors

S.1411, the Senate version of National Housing Trust Fund legislation, now has 14 cosponsors, with the recent addition of 3 Senators to a rapidly growing list. Senators Edward M. Kennedy (D-MA), Barbara Boxer (D-CA), and Patty Murray (D-WA) joined as the bill's newest cosponsors this past week. Thanks to the National Student Campaign Against Hunger and state-level advocates for their work to get these new cosponsors on board.

A full list of cosponsors for both the Senate and House is at [www.nhtf.org](http://www.nhtf.org).

## Housing in the Elections NLCHP Presents Training on Homeless Voter Rights

The National Law Center on Homelessness and Poverty will hold an audio training session on Wednesday, June 30, from 3 pm to 4 pm ET. The session will provide information on ways to help homeless individuals register to vote, as well as on the laws and requirements involved in homeless voter registration, from residency and necessary identification to possible barriers for homeless individuals when registering and voting.

Tulin Ozdeger, a civil rights staff attorney with the Law Center, will conduct the session. She will spend a portion of the session discussing the Help America Vote Act of 2002. Under the new federal law, there are additional identification requirements that vary by state. Participants will be provided information on assisting homeless voters register within their states while staying within the confines of the new federal law.

Prior to the session, the Law Center will release a state-by-state report on the various issues affecting homeless voters. It will contain some laws specific to each state, and will detail how homeless advocates can increase the number of registered homeless voters in the wake of so many obstacles. The report will be available at [www.nlchp.org](http://www.nlchp.org).

Ms. Ozdeger stresses the importance of assistance to state and local advocacy groups in their efforts to make sure people experiencing homelessness are able to vote. "Homeless voters and their advocates need to be aware of their rights," she said, adding that the Law Center will conduct sessions such as these throughout the year to educate groups on relevant legal rights.

Registration is required to participate in the session. The fee is \$25 for members and \$45 for non-members. For more information on the audio session, visit [www.nlchp.org](http://www.nlchp.org).

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## Update from the Field Utah Housing Coalition Expands Advocacy Capacity

Building upon comprehensive strategic planning over the course of 2003, the Utah Housing Coalition (UHC), in its 20<sup>th</sup> year, hired its first director, Janis Dubro, in the spring of 2004.

UHC's mission is "to be the leader in housing issues and to promote an increase in accessible and affordable housing statewide." UHC will accomplish its mission through education, advocacy and cooperative partnerships.

UHC has a diverse membership, which Ms. Dubno said she is eager to mobilize. Members include non-profit and for-profit developers, banks, realtors, municipalities, public housing agencies, architects, advocates and others. Increasing membership is one of the organization's goals.

In addition, while the housing issues facing the Salt Lake City region will receive UHC's attention, the organization would like to increase its focus on the more rural parts of the state, connecting with advocates, tribal housing agencies and others in rural areas. Such an effort would further the objective of building coalitions through cooperative partnerships.

"UHC is looking forward to working with private, public and non-profit partners to become the clear voice of leadership in legislative advocacy on issues of affordable housing," Ms. Dubno said. At the state level, UHC's will focus its advocacy on increasing appropriations for low income housing and establishing a permanent source of funding for the Olene Walker Housing Trust Fund.

In addition to state policy advocacy, UHC will also direct its advocacy efforts towards the state's Congressional delegation. NLIHC Board Member Tim Funk, of Crossroads Urban Center (a UHC member) said he is looking forward to UHC's expanded capacity. "It is terrific that UHC is making a strong commitment to housing policy advocacy at the state and federal levels," he said.

For more information: [www.utahhousing.org](http://www.utahhousing.org).

## Resources

### Loss of Affordable Units Higher than Estimated

In a recent report, the National Housing Trust (NHT) details the net and gross losses in HUD-subsidized rental units between 1995 and the present, finding that the loss in affordable housing units is substantially larger than previous estimates.

The report, titled *Changes to Project-Based Multifamily Units in HUD's Inventory Between 1995 and 2003*, first totals the number of units in both years receiving assistance under three programs: Section 8 project-based rental assistance, Section 236, and Section 8 Moderate Rehabilitation. The data for 1995 come from HUD's *Picture of Subsidized Households, 1996*, and the data for 2003 from HUD's Multifamily Assistance and Section 8 Contracts Database. The report finds that the stock of housing units decreased from over 1.7 million to 1.4 million, a gross loss of more than 300,000 units.

The authors note that some of the loss in project-based subsidized housing units was compensated by an increase in tenant-based assistance in the form of housing vouchers. Using figures from yearly *Federal Register* notices, the report adds up the number of tenant protection vouchers issued to residents when their units were demolished, sold, or removed from the subsidy program. In addition, the report conservatively assumes that losses of Moderate Rehabilitation units were fully compensated with tenant-based vouchers, since no appropriate figures were available. While these figures show a total gain of between 221,000 and 237,000 tenant-based vouchers, the decrease in project-based units was greater, leading to a net loss of federal housing subsidies of 74,464 units.

Since the 1995 and 2003 data are from different sources, the authors recommend using caution when making comparisons between the two years, but note that each data source is the best available for the given year. Finally, the authors remark that an increase in tenant-based assistance may not substitute easily for the loss of project-based assistance, and call for further exploration of this issue.

NHT plans to have data on the state-by-state losses by the end of the year. The report was done in conjunction with the Center on Budget and Policy Priorities and is available at [www.nhtinc.org/documents/PB\\_Inventory.pdf](http://www.nhtinc.org/documents/PB_Inventory.pdf).

### MN Also Counts a Loss of Local Units

The Minneapolis-based organization HousingLink, in partnership with the Family Housing Fund, provides a local perspective on the supply of affordable housing in its new *Housing Counts* report. The report, first in what will be an annual series, measures affordable housing production in the Twin Cities during 2002 and 2003. Counting a new unit of affordable housing from the point financing closes, *Housing Counts* reports that during these two years, a total of 1,985 units of new housing entered production. During the same period, 2,108 units were preserved or stabilized, while 416 were demolished. The report also contains detailed breakdowns of the housing produced by the income categories it serves.

*Housing Counts* can be downloaded at [www.housinglink.org/adobe%20links/HousingCounts.pdf](http://www.housinglink.org/adobe%20links/HousingCounts.pdf).

## Fact of the Week

### High Housing Costs Limit Other Necessary Expenditures

Average Monthly Non-Housing Outlays for Households in the Lowest Expenditure Quintile

	Households With Over 50% Spent on Housing	All Households
Total Non-Housing Expenditures	\$351	\$601
Food	161	218
Clothes	14	27
Transportation	34	94
Healthcare	34	72
Personal Insurance & Pensions	20	40
Entertainment	21	33
Other	67	117

Source: Joint Center for Housing Studies, *State of the Nation's Housing 2004*, Table A10: from Consumer Expenditure Survey Data.

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

budget from which the programs have never recovered. But it was the termination of 500,000 disabled people from Supplemental Security Income (SSI) and Social Security Disability Income (SSDI) in the early 1980s that immediately thrust vulnerable people onto the streets.

Why and how Reagan Administration officials decided to cut people from disability benefits is the subject of a study reported in 1988 in the journal *Hospital and Community Psychiatry* (Goldman & Gattozzi. "Murder in the cathedral revisited: President Reagan and the mentally disabled. 39(3), 505-509). The "evidence" that many people on SSDI were not eligible that was used to justify the action was later discredited. Eventually, the courts required that eligibility be restored to many who were cut off, but the damage was already done to many thousands of fragile people.

The authors point out that President Reagan did not set out to make disabled people homeless. Rather, it was central objective of the Reagan Administration to cut federal spending that led people who worked for him to make the decision to cut SSDI and SSI, without regard to the consequences. Assistance to people with disabilities was determined to be a place to extract considerable savings in federal spending without needing Congressional approval.

The SSI/SSDI story of the Reagan Administration sounds a lot like the housing voucher story of the Bush II Administration. It is a cost-cutting measure rationalized as policy reform that is based on a misreading of the facts that will result in poor people losing their homes. Our current President, who ironically has promised to end homelessness for people with disabilities, is in danger of making it worse.

## NLIHC News

### NLIHC Seeks Policy Analyst

NLIHC seeks staff member to track, analyze, and advocate on federal legislative and regulatory issues related to NLIHC mission. Reports to Deputy Director. Qualifications include highly developed communication and policy analysis skills, knowledge of federal housing policy, and commitment to housing justice. Direct experience with the legislative process a plus. Masters' preferred. Send cover letter and resume to Deputy Director, NLIHC, 1012 14<sup>th</sup> St. NW, Suite 610, Washington, DC 20005. Applications accepted until position is filled. EE0/AA.

### NLIHC Staff

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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.

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**June 11, 2004**  
**Vol. 9, No. 23**