



The Future of Public Housing

Policy Framework

We, the undersigned, have joined together in the Summit on the Future of Public Housing to assert that the only effective permanent solution to the challenges confronting public housing is a new paradigm, based on national goals, and grounded in principles that provide the resources and appropriate flexibility to preserve and use public housing assets in ways that benefit and support communities and residents over time.

Particularly in the midst of the unprecedented financial crisis and economic disruption our nation now confronts, which emanates from dysfunction in the housing markets, we affirm our belief that decent and affordable housing is a fundamental building block for healthy families and communities and that promoting it must be at the center of our national housing policy. Critical to that goal is a transformed, proactive, and vibrant public housing program that is responsive to local housing needs, addresses the substantial backlog in public housing capital improvements, sustains public housing operations in the future, and enables public housing to be a platform that fosters access to new partners who can bring additional resources and expertise to address the human service needs of residents.

Therefore, we cannot resign ourselves to the prevailing view that our task is merely to allocate and manage the scarce resources which the existing program model and politics provide. We reject the false choices and conflicts that have been forced upon us by misaligned national priorities and a program structure which no longer adequately supports our primary and collective mission of providing decent, safe, and affordable housing. Rather, a coordinated strategy of fundamental statutory and programmatic change focused on Reinvestment, New Partnerships, and Institutional Reform is necessary.

As a foundation for this new public housing paradigm, we have proposed a strategy with the following interdependent objectives:

- Attract new private and public capital investment to ensure safe, high-quality housing for residents by eliminating the substantial capital backlog and providing for future needs.
- Change the program structure to facilitate adequate and reliable revenues, including offering PHAs the option to transition individual properties to other program models.

- Maintain our commitment to decent, safe housing at rents affordable to the current mix of residents for the long term in communities that advance our nation’s fair housing and civil rights goals.
- Redefine the relationship between HUD and PHAs through sensible regulation that achieves both accountability and the flexibility to address local conditions.
- Enable PHAs to expand partnerships with others who share our commitment to serve low-income families, seniors, and persons with disabilities and reframe our mission in ways that attract partners who can provide access to new resources and expertise that promote complementary goals, such as service-enriched housing, responsible environmental stewardship, and economic and educational opportunities that enhance choice and the quality of life.

I. The Challenge

Since 1937, public housing has been a floor, both literally and figuratively, for tens of millions of the nation’s most vulnerable people, including seniors on fixed-income, persons with disabilities, low-wage workers, and families struggling to overcome health, educational, and other barriers to full participation in our economy and society. However, the availability, quality, and affordability of this critical resource is threatened by federal budget cuts, isolation from other potential partners and resources, and an outdated regulatory system that often focuses more on process than outcomes.

The nation suffered a significant net loss of public housing units between 1995 and 2008. While it has received little public attention compared to the mortgage mess and declining home values, this hidden housing crisis is no less devastating to the millions of Americans who call public housing home and for many of whom public housing is the first rung on the ladder of economic opportunity. The continuing decline in this scarce affordable housing resource also amounts to a waste of the federal government’s \$165 billion investment in the existing public housing infrastructure. The absence of a national strategy to reinvest in, leverage, and manage these assets has serious social and economic consequences that undermine the stability of neighborhoods, cities, and rural areas, including through the loss of construction and other jobs and the inability of businesses in many communities to attract and support the low-wage workers they need.

II. The Strategy

To achieve our goal, we propose the following strategy of three interdependent components, including Reinvestment, New Partnerships, and Institutional Reform:

1. **Reinvestment**: In the next 10 years, eliminate the tens of billions of dollars in public housing capital backlog, and provide for future needs, by—

- Ensuring sufficient and timely access to a menu of financing options, including low-income housing tax credits, debt financing, direct grants, and other resources that could become available through new strategic partnerships.
- Placing revitalized public housing on a sound financial footing by providing for a long-term funding structure that funds reasonable operating costs, allows for adequate replacement reserves, and provides opportunities to recapitalize to meet future needs.
- Converting some public housing to other affordable housing subsidy models with reliable funding, such as project-based vouchers or other project-based assistance under Section 8, to access capital and assure long-term affordability for extremely low-income households.

Based on the research and data available to us at this time, it is reasonable to estimate that the backlog of public housing capital investment needs is at least \$32 billion.¹ Yet, recent annual appropriations for the most part have provided funding to address the additional repairs that accrue each year, but not enough funding to significantly reduce the backlog. Given the scale of this problem, it is hard to see how direct appropriations alone can remedy the long-term federal disinvestment in public housing, much less replace units that have been lost.

The good news is that despite federal budget cuts and regulatory obstacles, some PHAs have joined with private partners to make significant innovations in ways to preserve, improve, or replace public housing. Often, this has involved harnessing private resources through low-income housing tax credits, tax-exempt bonds, or other means and integrating them with basic public housing rules that mandate long-term affordability while recognizing investor risks. Some PHAs are going even further by converting public housing to other forms of subsidy such as project-based vouchers, which have had more stable funding and can be easier to use with private financing. There are other approaches that some PHAs would like to pursue, including mortgage financing to leverage the value of their public housing assets and the use of project based Section 8 assistance other than Housing Choice Vouchers.

Our reinvestment strategy is to build on this innovation by providing for a mix of reinvestment options with a scale and structure to fully address the capital backlog, stabilize operations with ongoing financial support, and protect and support residents. These options, which will need to be shaped and funded as necessary to allow for prompt availability and full effectiveness, will draw on the success of current activities and the promise of other subsidy models. They will also incorporate opportunities to promote investments through the new partnerships strategy, including renovated and enriched senior/disabled housing and green investments for all public housing developments.

¹ The \$32 billion estimate is from information shared by the Center on Budget and Policy Priorities and includes funding both to renovate 1.06 million units and to replace 100,000 units. However, others believe that the need may be far in excess of that figure. HUD is also planning to conduct a capital needs assessment.

The reinvestment strategy must be coordinated and funded to facilitate fiscally responsible and realistic staging of a comprehensive effort over the next decade and must be accompanied by the changes in the federal administrative structure that are necessary for success. This strategy will also connect public housing with the broader world of affordable housing production and preservation. Adopting and implementing market-based real estate models should help to reduce public housing's exposure to the vagaries of the annual federal appropriations process and bring new allies into the fight for adequate resources.

Finally, the reinvestment strategy must address our shared concern about the loss of public housing units from the current inventory. There is strong agreement that adequate funding is critical to achieving the reinvestment strategy and a replacement policy. However, we struggle with how to develop a replacement policy with broad consensus. Some argue that a strict adherence to a one-for-one "hard" unit replacement policy is essential. Others believe that the one-for-one replacement policy must be conditioned on full funding for the replacement units which can be satisfied by either hard units or tenant based vouchers. To be sure, this is a critical and complex discussion and even groups who are naturally allied have nuanced views on this issue. To successfully implement the reinvestment strategy, it is essential to resolve these difficult issues, consistent with the foundational and interdependent objectives for this new public housing paradigm, including advancing our nation's fair housing and civil rights goals.

2. **New Partnerships**: Within one year, expand partnerships with entities that share our commitment to public housing preservation and transformation beginning with the following:
 - Senior Housing: Over 5 years, redevelop or convert 100,000 public housing units for seniors into high-quality, service-enriched facilities.
 - Green Public Housing: Fully integrate green building standards to rebuild or retrofit all 1.2 million public housing units as part of the reinvestment strategy.

Over the next 10 years, we will raise \$10 billion to accomplish these two goals and generate a return on investment far beyond the scope of the initial capital. Savings in energy and utilities expenses will reduce costs and improve the long-term viability of our public housing stock. They can also provide resources for resident and supportive services by increasing senior and family supports and linking residents to education, job training and other economic opportunities. This \$10 billion investment may be a component of, or additive to, the public housing reinvestment strategy.

Partnerships are integral to public housing's future and will make it possible to achieve the goals set forth while realizing the triple bottom line results of promoting economic opportunity, environmental sustainability and social equity. We support systematically integrating partnerships into the planning and delivery of public housing across the nation to create communities of choice, with the goal that residents have access to jobs, that families live in healthful environments, that persons with disabilities are connected to support services, and that the aging population is well cared for. In short,

public housing will, by attracting new resources through partnerships where possible, strive for a healthier, more equitable and more sustainable future.

Two obvious partnership opportunities have emerged from the inevitable trends confronting our nation – climate change and the aging of our nation’s population. These trends, in addition to rising utility costs and impaired health attributable to poor indoor air quality, require a comprehensive response. While public housing partnerships must extend far beyond “green” and “gray” to succeed in this framework, they are expounded upon here as initial strategies that will lead to immediate opportunities. Through these strategies, public housing can attract the expertise and resources of impacted outside parties to create mutually beneficial partnerships.

Seniors. Projections forecast that by 2030, approximately 71.5 million people will be 65 and older, representing nearly 20 percent of the total U.S. population. Meanwhile, one-third of public housing households are headed by a senior. Research has indicated that seniors prefer to remain within the community as their frailty levels and service needs increase. Most elderly residents in public housing prefer to age in non-institutional settings. Public housing will address this issue by incorporating the social and physical needs of seniors into its modernization plans and by looking for opportunities to enter partnerships with organizations that will create resident support programs for the elderly to enable them to age in their communities. Such programs would align the public housing strategy with other federal initiatives (e.g., the Deficit Reduction Act and Administration on Aging) that are working to provide affordable community based living alternatives to prevent premature institutionalization. This would create natural partnerships with service providers to coordinate aging in place supports, including, but not limited to, social activities, meals, homemaker services, some health related services, and transportation. In addition, public housing will create “gray-collar” jobs by training residents as home health assistants, chore-workers and other health care professionals to assist seniors. With their high level of expertise and interest in serving the elderly, AAHSA, NCB Capital Impact, AARP, National Association of Area Agencies on Aging, NASUA, Administration on Aging, National Council on Aging and other organizations would make excellent partners.

Green. Green is integral to a public housing reinvestment strategy. As public housing agencies address their backlog of repairs and prepare to construct new homes, they must integrate green methods and materials to achieve lower operating expenses, healthy living environments and resource conservation. Doing so will create a measurably enhanced environment for residents through energy efficiency, water conservation and healthy indoor air quality while cutting greenhouse gas emissions and reducing annual utility costs estimated at approximately \$1.7 billion annually. Healthy, long-lasting building materials can dramatically reduce costs, while creating safer working conditions for construction and maintenance personnel, and safer living conditions for residents. A 2005 New Ecology, Inc. and the Green CDC’s Initiative study entitled “The Costs and Benefits of Green Affordable Housing” revealed that the first cost premium for green building was 2.4% of the total development cost, and Enterprise Community Partners’ preliminary cost data from a study of 50 affordable housing developments indicate that

the Green Communities Criteria met by these developments only increased development costs by 2 - 4% while resulting in expected savings of 20 - 30%. This cost-effective, benefits rich reinvestment strategy is also a critical link towards creating a market for education initiatives and to support “green-collar” jobs for public housing residents and disadvantaged small businesses. The ability to apply green methods and materials on such a massive scale makes public housing an attractive platform for promoting innovative financing mechanisms such as the voluntary carbon market in which green public housing would possess valuable offsets. Organizations such as Enterprise Community Partners and the U.S. Green Building Council are natural partners who can provide expertise in critical areas such as green building, advocacy, and raising capital, as appropriate to each partner organization.

- 3. Institutional Reform:** As a foundation for the reinvestment and partnership strategies, reform and rationalize the public housing regulatory structure to make the fundamental changes necessary to operate in the new paradigm, including:
- Reliable and adequate operating subsidies to support the public housing reinvestment strategy.
 - Mutual HUD, PHA, and resident accountability and transparency.
 - HUD reorganization to support reinvestment and partnership goals.

PHAs and residents have a shared interest in assuring that the public housing regulatory structure protects residents. PHAs also need access to the resources and tools needed to preserve and operate public housing. The purpose of regulation should be to promote these shared interests and to assure accountability in the use of federal financial resources. Some aspects of the current regulatory structure divert PHA resources from sound property management, resident service coordination, addressing properties’ modernization needs, implementing energy-efficiency improvements, and performing upgrades. As such, the present regulatory regime does residents a disservice and is a source of frustration for owners.

HUD’s oversight structure also does a disservice to residents and owners. The Agency’s focus on process compliance; lack of consistent, clear communication with stakeholders, including not only PHAs and residents but also its own field staff; and the cacophony of sometimes duplicative regulatory and administrative requirements combine to distract PHAs from a focus on their primary and most solemn responsibility: the provision of decent, safe, and sanitary housing.

Fundamental institutional reform is essential to support the proactive transformation of public housing. To protect tenants while augmenting the ability of PHAs to address local housing needs, this reform should embody the following interdependent principles:

- PHA operating subsidy must be adequate, predictable, and reliable.
- HUD should be reorganized to support investment in public housing.
- PHAs should be encouraged to enter into partnerships with those who share a commitment to the well-being of public housing residents, such as service providers.

- PHAs should be assessed for their performance as housing providers, using objective measures to the extent feasible.
- HUD and PHAs should follow transparent procedures to assure that tenants remain informed and should continue to provide residents with a reasonable opportunity to participate in the decision-making process.
- Regulation should not be disproportionate to the resources provided for operating public housing.

III. Conclusion

These days, no one would doubt the importance of housing to the health of our national economy, or to a family budget. This belief is also embedded in our political and tax systems through policies we take for granted, such as the mortgage interest deduction. The federal government has recently taken extraordinary actions to prevent the collapse of many financial institutions. The phrase “Too Big to Fail” has been used to justify such interventions, meaning that the failure of some institutions would be so disruptive and harmful to the nation that the government must prevent it. Without passing judgment on the wisdom or necessity of those actions, we contend that public housing, also, is too big and far too important to the health of our nation, to fail. Therefore, we have proposed our strategy for the Future of Public Housing.