Why It Makes Sense

Public housing is a unique and crucial affordable housing resource for nearly two million people in just over one million homes. In many cities across the nation, seniors, veterans, persons with disabilities and families with children rely on public housing. In some instances, no other source of housing could take its place more readily or affordably. While we have seen some relatively modest increases in the last two appropriations bills (FY 18 and 19), the Capital Fund is about where it was seventeen years ago, even before adjusting for inflation, as the chart below indicates. The effects of this serious decline in funding can be seen through the many alarming accounts of deteriorating public housing stock throughout the nation.

In a 2012 report, “The Cost of Cuts: The Impact of Reductions in Capital Investments to Public Housing Authorities,” the Public and Affordable Housing Research Corporation (PAHRC) partnered with Econsult Corporation in an attempt to inform policy discussions regarding the capital fund by identifying potential negative impacts and attempting to quantify those impacts. Importantly, the researchers found that the size of the public housing stock is related to the amount of public housing funding:

In 2010 (the year of reference for this study), PHAs operated 1.16 million housing units and received a combined $2.39 billion in capital funding from HUD. These numbers represent a steady decline in general capital funding over the last decade (down 17 percent from $2.89 billion in 2000), and subsequently a reduction in the number of units available for families (down 10 percent from 1.28 million units in 2000).

They also found that even using conservative assumptions, every dollar in capital grant cuts to housing authorities (HAs) would result in about 46 cents of negative impacts beyond the public housing properties. These impacts affect the extended community with property value loss for business and residential property owners and increased blight in surrounding areas.

Recognition of the need to address this crisis has begun to take hold. House Financial Services Committee Chairwoman Maxine Waters introduced the Housing Infrastructure Act of 2019, which boldly proposes to provide $70 billion in funding for the Capital Fund as part of any infrastructure package. PHADA provided analysis in support of this funding level, as cited at the Committee Hearing on April 30, 2019 as well as in the Committee Memorandum (http://bit.ly/2hpyvWQ) for the hearing. PHADA supports this legislation and advocates to Congress for public housing as part of an infrastructure package, making the following points:

- The rate of deterioration outpaces the rate of investment and, in fact, the amount needed to address annual accrual needs has far exceeded yearly federal appropriations. The total Capital Fund backlog today is estimated to be as high as $70 billion, yet
Congress does not provide enough funding to meet even annual accrual needs, estimated to be over $3.4 billion.

- Public housing, like roads and bridges, is a long-term public asset and a critical part of the nation's infrastructure.
- The aging public housing stock, most of which was built over 50 years ago, along with chronic underfunding from the federal government has made it challenging for HAs to keep up with the improvements necessary to adequately maintain the quality of these affordable units for residents of public housing.
- Alarmingly, approximately 10,000–12,000 public housing units are lost annually due to chronic underfunding and the consequent accelerating deterioration.
- Researchers from the University of California/Berkeley and the University of Chicago estimate that the growth in GDP from 1964–2009 would have been 13.5 percent higher if families had better access to affordable housing. This would have led to a $1.27 trillion increase in total income.
- Investing in public housing infrastructure helps to provide a decent quality of life for families, creates jobs, and acts as a regional economic generator. Studies found that:
  - Public housing households (in the ten cities studied) with at least one wage earner average less than $15,000 in annual income. The study found that this income was insufficient to meet even the bottom-quartile two-bedroom apartment rents in the related rental markets. The public housing subsidy enables households to devote more of their limited incomes to other basic needs such as food and clothing. (Current HUD data shows that nationwide the average public housing household annual income is $15,183.)
  - Replacing a typical public housing unit would cost approximately $140,000; factoring in related land costs, it would take approximately $162 billion to replace the existing public housing stock.
  - Public housing contributes significant benefits to local economies and constitutes an economic and social asset that cannot be created or sustained by the private market alone. Each dollar spent on capital and maintenance funding generates $2.12 in total regional spending.
  - Experience has clearly demonstrated the wisdom of such investment. Under the American Reinvestment and Recovery Act of 2009 (ARRA), HAs were particularly efficient, effective and innovative in using allotted capital funds on projects that bolstered economic growth, created jobs, and improved opportunities and quality of life for residents. The Government Accountability Office (GAO) confirmed that 99.9 percent of all public housing ARRA capital funds were obligated and expended under accelerated time frames. With $4 billion in capital funds, researchers found that housing authorities invested in over 245,000 affordable units, created 26 jobs for every $1 million spent on capital projects, and generated nearly $12.5 billion in national economic activity.

In addition to supporting the Capital Fund, any infrastructure package should address other related development programs such as HOME, Choice Neighborhoods and Low Income Housing Tax Credits, perhaps with special set asides of funds for local HAs.

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1 From a total of $2.5 billion appropriated by Congress.
4 Ibid.
5 Public Housing Stimulus Funding: A Report on the Economic Impact of Recovery Act Capital Improvements, commissioned by PHADA, CLPHA, and NAHRO with funding from the Housing Authority Insurance (HAI) Group, 2011.
6 Ibid.